

FINANCIAL TIMES

Canadian elections

Agenda set by extremists in the West and Quebec

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Croatia

Attacks on Serb refugees block road to Europe

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Ukraine

Test of Russia's transformation

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FT WEEKEND

The lost grey tribe

TOMORROW

World Business News Service: <http://www.ft.com>

FRIDAY MAY 30 1997

The fourth part of our new 12-part series, FT Mastering Finance, appears on Monday. Topics include exchange rate exposure, hedging, spin-offs and new equity issues.



Air France back in profit despite strikes and costs

Air France returned to the black for the first time in the 1990s, in spite of rising fuel costs and the impact of strikes. The state-controlled carrier reported annual net profits of FF210.6m (\$36.7m) against a FF2.87bn loss in the previous 12 months. Air France had run up losses of more than FF1bn in the previous four years. Net profits for the entire Air France group, including its tourism and information activities, reached FF644m compared with a 1996-97 loss of FF2.25bn. Page 23

Brussels deal on salmon blocked: A row in the European Commission blocked a proposed deal with Norway to avert the imposition of anti-dumping duties on imports of Norwegian salmon. The 20 commissioners are to meet on Sunday in an effort to reach a last-minute agreement. Page 4

Final plea from Eurotunnel chairman: Eurotunnel chairman Patrick Ponsolle made a final appeal to shareholders to approve a financial restructuring for the Channel tunnel rail link operator. Page 23; Lex, Page 22

Nato split over new members: Divisions over which east European countries should be invited to join Nato became clear as the US indicated it wished to restrict entrants to Poland, Hungary and the Czech Republic. Page 3

Damages for Singapore politicians

Singapore senior minister Lee Kuan Yew (left), prime minister Goh Chok Tong and nine other People's Action party members were awarded a record \$86.08m (\$5.64m) in libel damages by a Singapore court after a series of actions brought against opposition politician Tang Liang Hong, who called them "liars". Mr Tang did not defend himself, having fled the country shortly after the general election in January, alleging threats to his life. Page 22

Croatia attack returning Serbs: Serb refugees trying to go back to their pre-war homes in Croatia have been driven back by Croats in a campaign that could damage Zagreb's hopes of closer integration into Europe. Page 3

Indonesian ruling party set for win: Indonesian ruling party Golkar appeared poised to secure a landslide victory in a general election marred by the violent death of at least 14 people in the occupied territory of East Timor. Page 23; Editorial Comment, Page 21

Newest red chip troubles in value: Beijing Enterprises, investment arm of the Beijing municipal government and Hong Kong's newest red chip, more than tripled in value on its trading debut. Page 23; Lex, Page 22

World Bank warns of fresh crisis: The use of government guarantees to help finance private projects in Latin America and Asia risks causing a fresh debt crisis, the World Bank warned. Page 6; Capital Inflows to rise, Page 4

Fears over Falkland listings: Falkland Island Group, the Falklands' largest private company, is to be separately listed on the London stock exchange, sparking fears among the British territory's 2,200 inhabitants that Argentine companies could purchase shares. Page 23

Handover Barbie hits Hong Kong: An edition of seven diamond-studded dolls decked in Chinese demure, imperial robes and named Handover Barbie will be auctioned today in Hong Kong. Bids will start at HK\$50,000 (US\$6,450). Page 22

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STOCK MARKET INDICES

New York	London	Frankfurt	Paris	Amsterdam	Brussels	Madrid	Stockholm	Copenhagen	Helsinki	Oslo	Stockholm	Copenhagen	Helsinki	Oslo
1,234.56	2,345.67	3,456.78	4,567.89	5,678.90	6,789.01	7,890.12	8,901.23	9,012.34	1,012.34	1,123.45	1,234.56	1,345.67	1,456.78	1,567.89

US LUNCHTIME RATES

3-month	6-month	9-month	12-month
5.00%	5.00%	5.00%	5.00%

OTHER RATES

UK	France	Germany	Japan	Italy	Spain	Sweden	Denmark	Norway	Finland	Poland	Czech	Hungary
5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

NORTH SEA OIL (Argus)

Brent	Dated	15-day	1-month	3-month	6-month	9-month	12-month
18.25	18.25	18.25	18.25	18.25	18.25	18.25	18.25

STERLING

DM	FF	Yen	Sfr	Scd	DKr	Nkr	Fmk	IrL	Pol	Czk	Hun	Plk
1.6397	1.6397	1.6397	1.6397	1.6397	1.6397	1.6397	1.6397	1.6397	1.6397	1.6397	1.6397	1.6397

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Opposition parties demand Waigel's resignation over Bundesbank gold revaluation

German row over Emu deepens

By Peter Norman in Bonn, Andrew Fisher in Frankfurt and Wolfgang Münchau in London

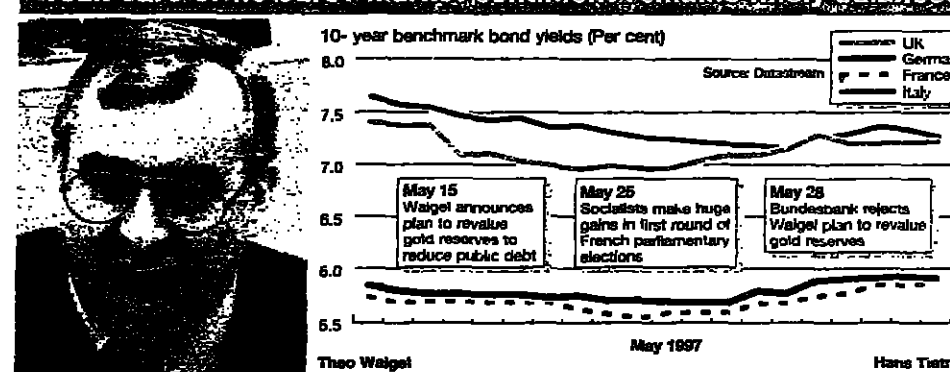
Mr Theo Waigel, Germany's finance minister, yesterday fended off fierce opposition pressure to resign, as economists warned that open conflict between the Bonn government and the Bundesbank over its gold reserves increased the chances of a delay to European economic and monetary union.

The opposition Social Democrat and Green parties said they would seek a vote of no confidence against Mr Waigel in the Bundestag, the lower house of parliament, next week, with the aim of forcing him to step down.

"The man is no longer bearable," said Mr Rudolf Scharping, SPD leader in the Bundestag. "The government's action is damaging international credibility, the thing we need most."

Although senior government

Weak euro or no euro? Market sentiment remains finely balanced



figures rallied behind the embattled finance minister yesterday, his handling of the planned revaluation of the Bundesbank's 95m ounces of gold reserves to help Germany qualify for Emu also earned criticism from within Chancellor Helmut Kohl's Christian Democratic Union.

Mr Waigel plans to revalue the gold this year and use some of the proceeds to bring

Germany's deficit below 3 per cent of gross domestic product, one of the targets the Maastricht treaty sets for Emu membership. But on Wednesday, the Bundesbank rejected the plan, saying it could undermine the "credibility and stability" of Emu.

Mr Kurt Biedenkopf, prime minister of Saxony and one of the few CDU politicians ever to criticise the government, said

the idea threatened the independence of the Bundesbank and of the planned European central bank.

Mr Waigel, meanwhile, brushed aside calls for him to quit as "something I hear every week". He insisted his plans would neither harm the Bundesbank's status nor undermine German monetary stability. According to the finance ministry, the govern-

ment would seek an extraordinary profit of only DM20bn from the gold revaluation to boost its finances in stages, whereas the gold was currently valued about DM40bn below its market price. Market strategists were split over whether the Bundesbank's stance would lead to a delay in Emu or whether the result would mean a weak single currency.

In Germany, where financial markets were closed yesterday, economists said the conflict could make it harder to win support for the single currency from a sceptical German public, and raised the possibility of renewed turbulence in bond and currency markets.

Emu reports, Page 2; Storm-tossed waters, Page 21; Lex, Page 22; World stocks, Page 44

Sportswear stocks dive after Nike gives profit warning

By John Authers in New York

Shares tumbled across the US athletic sportswear sector yesterday after Nike, the world's largest sports shoe manufacturer, saw its shares fall in early trading about 14 per cent after a profits warning.

Nike, based in Oregon, said earnings for its current financial quarter, which runs to the end of this month, would be between 51 and 56 cents per share - far below analysts' expectations.

By midday, its shares were down 33% at \$55. The Nike announcement helped Reebok to fall 31% to \$39, and Converse 5% to \$20, while Woolworth, which owns Foot Locker, one of the largest sports shoe retailers, fell 8% to \$28.

Nike blamed a range of factors, with a one-time \$18m charge for closing a US factory accounting for a drop of 4 cents in earnings per share. The bulk of the shortfall is attributable to lower revenues. Attention was drawn in particular to Nike's admission that cancellations of orders by US retailers had risen. The company also cited problems with the timing of shipments to Europe and product shortages.

Ms Shelly Hale Young, a senior analyst with Hambrecht & Quist, the San Francisco-based investment bank, said: "Nike is coming off a phenomenal year of unnatural and unsustainable growth and there had to be a slowdown. It's just coming much more rapidly and it's more dramatic than investors had believed."

Nike's earnings for the quarter ending in November last year had shown an 81 per cent rise over the same quarter of 1995, and orders for the first quarter of this year were 54 per cent higher than for the same quarter of 1996. Ms Young added that the volatile domestic market was the single most important factor for Nike over the next nine months, but she suggested the impact of the announcement on the rest of the sector may have been overstated: "This announcement has some influence on the rest of the US market, but I don't think you can universally say that the market is in a tailspin."

World stocks, Page 44



DT in search for strategic investor

By Nicholas Denton and Alan Cane in London

Deutsche Telekom, Germany's national telecommunications operator, is seeking a strategic investor such as France Telecom or Sprint of the US.

The move could ease Germany's budget deficit ahead of European monetary union. The prospective deal, revealed in London yesterday by Mr Ron Sommer, DT chairman, is designed to raise funds without going to the markets hot on the heels of last December's DM20bn (\$11.70bn) initial public offering.

Mr Sommer said the government, which still has a 74 per cent stake worth nearly DM79bn at yesterday's DM38.78 closing price, was constrained from selling any of its shares on the market before 2000.

"But it can go outside the financial markets provided it has the agreement of DT's management. This is a key understanding between the government and us."

A private transaction would relieve the fears of institutional investors who marked DT shares down 3 per cent this week on rumours that the government planned to sell some of its shares in the markets ahead of schedule.

Leading the list of possible buyers are France Telecom and Sprint, DT's international allies in Global One.

France Telecom and DT each

already have a 10 per cent stake in the US long-distance carrier.

France Telecom said yesterday it might exchange shares with DT, but only after the French state operator's privatisation, which the French elections have thrown into doubt. Sprint said it had "not really considered" buying a stake in DT.

Mr Sommer said DT might look outside Global One for investors, but ruled out competitors such as Veba, the German conglomerate that has recently entered the telecoms business. NTT, the Japanese national operator, would provide both financial resources and presence in the Far East, analysts said.

Before DT was privatised, the German government undertook to hold the shares it retained until 2000 so as not to flood the stock market and to give precedence to any offering designed to raise funds for DT itself.

But on Tuesday, the German posts and telecommunications minister said the government planned to advance the schedule as one of a series of measures to bring Germany's budget deficit below 3 per cent of gross domestic product this year and so qualify the country for participation in European monetary union in 1999. DT shares fell 3.25 per cent after his remarks.

Continued on Page 22

Merry wives: Hillary Clinton, left, and Charlie Blair attending a performance of Henry V at the Globe Theatre in London

Clinton and Blair in jobs initiative

Leaders aim to drive G8 agenda

By David Wighton in London

he and the US president represented a "new generation [of] leadership" for a new era.

He added: "This is the generation that claims education, skills and technology as the instruments of economic prosperity and personal fulfilment, not old battles between state and market."

Mr Blair said Europe needed to learn from America's success in job creation while Mr Clinton conceded that some of that success had been bought at the cost of rising crime and social dislocation.

Under the agreement the two governments will use their consecutive presidencies of the G8 to promote a shared agenda based on investment in education, flexible labour markets, welfare reform and partnership with business.

At a press conference in Downing Street, Mr Blair said

Continued on Page 22 Clinton ceasefire call, Page 7

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COMPAQ

French and German manoeuvres to meet entry criteria lead to uncertainty over timetable

Odds shorten over possible Emu delay

By Lionel Barber in Brussels

In the space of a fortnight, the political odds on economic and monetary union going ahead on schedule on January 1 1999 have shifted from near certainty to the point where the word "delay" is no longer taboo.

This was the initial verdict among monetary officials and diplomats yesterday as they surveyed this week's dramatic political events in France and Germany.

Paradoxically, the turnaround in sentiment stems largely from two manoeuvres by the French and German governments originally intended to remove all doubts about the Emu timetable.

First came President Jacques Chirac's decision to call snap elections, ostensibly to clear the decks for a fresh round of austerity to guarantee that France will meet the Maastricht treaty's budget deficit target of 3 per cent of gross domestic product in 1997.

Next, Chancellor Helmut Kohl approved a plan to revalue the gold and foreign exchange reserves of

the Bundesbank, a desperate move to plug holes in the public finances in 1997 caused by slow growth and record unemployment.

The first sign of trouble came when French voters delivered a first-round rebuff to the centre-right Gaullist coalition, forcing Mr Chirac to sacrifice Mr Alain Juppé, the prime minister. The opposition Socialist party are bidding for an even bigger upset in Sunday's second round poll.

Even a narrow centre-right victory would scarcely amount to an endorsement of President Chirac's appeal for a vote of confidence in the fiscal tightening needed for France to qualify for Emu. The Socialists are even more equivocal.

Mr Lionel Jospin, the Socialist leader, says he supports the single currency, but his terms look unpalatable to Germany. He wants no more fiscal tightening, a looser interpretation of the Maastricht treaty, and initial entry for neighbouring Spain and Italy.

The cracks in the French political establishment over Emu are mirrored by divisions in Germany

which were laid bare this week when the Bundesbank - guardian of monetary stability and fiscal rectitude - condemned the Bonn government's gold revaluation plan.

The Bundesbank said that the gold ploy violated the government's pledge that the Maastricht criteria would be respected in a manner both credible and sustainable; and it warned that Mr Kohl was putting public confidence in the stability of the single currency at risk.

The stand-off in Germany highlights the tensions in the Emu project between the politicians, led by Mr Kohl, who argue that an Emu delay would put European integration and Germany's security at risk; and the central banking community which is insisting on the strictest interpretation of the criteria to ensure a stable launch.

As one central banker remarked yesterday: "The choice is clear: it is between the rational approach and the irrational approach."

The first option is for Mr Kohl to back down in the face of a public backlash orchestrated by the Bundesbank which is already seen in

countries such as Italy and Spain as hostile to their participation in Emu. This would force the coalition government to find alternative ways of reducing the deficit, either through spending cuts or tax rises.

The second option is for Mr Kohl to plough ahead regardless of the Bundesbank's objections in a massive demonstration of Germany's political commitment to Emu. But as one monetary official said yesterday, this would signal a totally different political approach.

"Theo Waigel [finance minister] and Jürgen Stark have spent hours lecturing their colleagues on the need for fiscal discipline," says the official, "now they are doing the very opposite."

The risk would be a move out of the D-Mark into the dollar, a backlash by the German public already jittery about giving up their currency, and challenges in the German constitutional court.

It would, however, pave the way for EU leaders next spring to choose a broad monetary union among countries which, on a gen-

erous interpretation, could be said to be "convergent" with the Maastricht targets on inflation, budget deficits, debt, and exchange rates.

"Italy would be included in this scenario. But the Dutch would be very unhappy about giving up their guilders if the D-Mark turned into casino money," said one central banker.

The third scenario is a delay. One informed hedge fund manager said yesterday that the risks of a slippage in the timetable had increased in the past fortnight from "15 per cent to 40 per cent"; but he added that the possibility of a "constructive delay" which Mr Alexandre Lamfalussy, outgoing president of the European Monetary Institute mooted last year, had passed.

This view is held in the European Commission which repeated yesterday that Emu is "irreversible". If this is true, the stakes in the Emu project have been raised so high that there is no way back, however perilous the path on which Chancellor Kohl and President Chirac insist they are set.

Row creates dilemma for financial markets

By Wolfgang Münchau, Economics Correspondent

The row between the Bundesbank and the German government over the valuation of gold and dollar reserves is beginning to alter expectations of European economic and monetary union (Emu) in the financial markets.

The dispute has reshuffled the various Emu scenarios into two broad groups: one suggests that it will be delayed - or scrapped altogether - the other that Emu is going to be a soft-currency zone. The two scenarios pose a dilemma for the financial markets because they have diametrically opposite implications for currencies. This explains why the markets hardly moved yesterday.

Ms Alison Cottrell, executive director of Paine Webber in London, said the dispute will "heighten concerns over monetary tightening, adding to the strains on intra-EU political relations. The result, then, of the German coalition's bungling: an increased risk of no Emu in 1999, no Kohl in 1998, and a firmer D-Mark in 1997."

Mr David Marsh, director of European strategy at Robert Fleming Securities, said: "The message from the Bundesbank is clear. If their

EU gold reserves: worth a closer look



words of warning over Emu are ignored by Bonn, then Kohl himself will be in political peril over an unpopular project that many of the German electorate would like to see buried."

The political damage caused by the gold dispute has strengthened expectations of a Social Democrat-Green victory in next year's

federal elections. This would mean that the UK, possibly France, Italy and Germany would all have left-of-centre governments with a bent towards looser fiscal policies.

Mr Ernst Welteke, a member of the Bundesbank's central council and an SPD member, argues the government should have stressed the notion of sustainability

in public sector finance, instead of focusing on literal interpretation of the Maastricht treaty's stipulation that public sector deficits should not exceed 3 per cent of gross domestic product.

A less literal interpretation would increase the chances of a wider membership base than is currently expected in financial mar-

kets, and certainly in Germany. And this could pose other policy dilemmas: with a weak currency, the future European central bank may drive up interest rates in support of the euro, but this would be highly controversial in what is likely to be a still early phase in the economic cycle.

The risk of a soft euro is

that it may face a backlash in the German institutions, the Bundesbank, the Bundestag and possibly the constitutional court.

It is this uncertainty - rather than expectations of a U-turn by Chancellor Helmut Kohl - that gives rise to the expectations that Emu itself is under threat. Many believe that a simple delay is difficult to orchestrate and that the union is more likely to be scrapped if it fails to start on time in 1999.

Ironically, it was not so much Mr Theo Waigel's decision to revalue the reserves, which gave rise to this crisis: Germany's gold reserves are extremely undervalued by comparison with the reserves of EU central banks. It was the timing of the announcement - on the day when it emerged that Germany would face a DM18bn (\$10.5bn) tax revenue shortfall - and Mr Waigel's scheme to use the revaluation profits for deficit reduction that caused accusations of creative accounting, and that has destroyed Germany's moral high ground in the run-up.

In the financial markets, Germany's credibility has suffered immensely over the last few days.

Gold reserves row, Page 21.

Left and right attack Séguin-Madelin 'team'

By David Buchanan in Paris

The French centre-right's shadow leadership of Mr Philippe Séguin and Mr Alain Madelin was yesterday attacked by the left, and sniped at by some of their colleagues on the right.

This is a blow to President Jacques Chirac's attempt to promote these two men as unifiers of the centre-right's campaign, shattered by Mr Alain Juppé's decision to step down as prime minister. All the signs are that, if the centre-right retains power in Sunday's election, Mr Chirac would name the socially-minded Mr Séguin prime

minister and give the free-market Mr Madelin back the finance job he once held. Mr Lionel Jospin, the Socialist leader who stands to become prime minister if the left wins, yesterday dismissed the Séguin-Madelin tandem as "an impossible couple", claiming it combined the worst features of both men with the anti-Europeanism of Mr Séguin and Mr Madelin's lack of social concern.

Far more damaging criticism came from Mr François Léotard, president of the UDF party, which is part of the ruling coalition. "You can't be both a liberal sky-lark and a big piece of socialist horsemeat. It does not work," he said on radio yesterday. The skylark-horse metaphor is a French expression for an unworkable duo.

Mr Raymond Barre, mayor of Lyons and a former centrist prime minister, was no less scathing about Mr Séguin's call for the future European Central Bank to make job creation its top priority. This was "fine for election meetings", Mr Barre said on Lyons radio, but central banks were supposed to safeguard monetary stability rather than "printing money

to sustain economic activity and jobs". While delighted at the continued backbiting within the right, Mr Jospin is finding it ever harder to make his economic programmes more credible and responsible without losing his Communist and Green allies. The Communists want an immediate rise in the minimum wage and the Greens an immediate cut in working hours.

Mr Jospin said in a Le Monde interview: "I have always said that I would act over time." In reference to the way that the Socialist government of the early 1980s had to introduce austerity to curb inflation, he said, "I don't want a flare-up that would have to be doused by the cold water of realism and disillusion."

The reduction in the working week from 35 to 35 hours would not be immediate "but over three years", he said. In advance of the big Paris rally last night, Mr Jean-Marie Le Pen said in an interview yesterday that his far-right National Front supporters should cast their votes on Sunday against "purveyors of immigration and Euro-mondialists".

Euro doubts hamper Italian budget deal

By Robert Graham in Rome

Doubts about the timetable for creating the European single currency have complicated last-minute efforts by Italy's centre-left government to reach agreement on plans to reduce the budget deficit.

The possibility of a delay in the introduction of the euro as a result of the row between the German government and the Bundesbank was yesterday seized upon by the hardliners in Reconstructed Communism (RC). Mr Nerio Nesi, the economic spokesman for RC, said the German experience showed it made no sense "for Italy to arrive dead in the Europe of Maastricht".

The support of the neo-communists is essential to the government's parliamentary majority and they are the ones - along with the trade unions - holding out against cuts in pensions and social welfare spending.

The government regards such cuts as essential to demonstrate to its EU partners that Italy can carry out structural changes in public spending to bring the 1998 budget deficit below the 3 per cent of gross domestic

product laid down by the Maastricht treaty. Other parties in the centre-left Olive Tree coalition yesterday took comfort from the German row for different reasons. There was consensus that Germany could no longer preach to Italy about using accountancy tricks to meet the deficit target.

Mr Giorgio La Malfa, a Euro-MP and the Republican party leader, said it would be more difficult to exclude Italy from the first group of countries joining the single currency, even though this would mean a softer euro and possible delays in its introduction.

The government is committed to unveiling its three-year macro-economic programme today, having already been delayed by more than a week. The plan will contain deficit, growth and inflation targets through to the year 2000, while also giving the broad lines of the 1998 budget.

These will form the basis for Italy's convergence plan, which is late in being presented to Brussels.

The economic team is understood to be aiming for a deficit equivalent to 2.8 per cent of GDP next year, fall-

ing to 2.4 per cent in 1999 and then 1.8 per cent in 2000. The economy is forecast to grow 2 per cent in 1998, picking up only modestly from this year's 1.7 per cent but rising to 2.2 per cent by the end of the three years. Inflation is targeted at 2 per cent in 1998, falling to an eventual 1.5 per cent.

Last night several economists said the government's calculations could be undermined by the trend in interest rates, as a result of either a delay in the euro or the markets perceiving the new currency to be "soft".

Earlier this week the government had predicted the cost of servicing Italy's huge debt stock would fall to L175,000bn (\$104bn) in 1998, against L200,000bn this year, on the basis of a further fall in rates. If this fails to materialise, then the budgetary package will have to be bigger. The right-wing opposition believes it should anyway be almost double the planned L25,000bn.

If RC and the unions refuse to drop their opposition to the government's plans for cuts in pensions and welfare spending, the package will not look very convincing.

EUROPEAN NEWS DIGEST

Early Turkish poll likely

Turkey's junior government coalition partner said yesterday it would seek early elections in an effort to pre-empt opposition moves to bring down the year-old coalition. Mrs Tansu Çiller, the deputy prime minister, said her True Path party had agreed to press for early polls, not due until 2000.

Negotiations between the True Path and the pro-Islamic Welfare party, which leads the coalition, over a date for an early poll are expected to continue over the next few days. The coalition has been under increasing pressure from the military, political opposition and media who accuse Welfare of eroding Turkey's secular traditions.

Mrs Çiller is also reported to want to take over the premiership from Mr Necmettin Erbakan, Welfare's leader, in July, a year before the date agreed when they formed their alliance last June. *Kelly Couturier, Ankara*

French delay irks Brussels

Mr Karel Van Miert, the European Union's competition commissioner, is growing increasingly impatient at the French government's failure to submit details of its privatisation plan for Crédit Lyonnais, the state-owned banking group.

The plan was supposed to be submitted to the Brussels competition authorities earlier this year, after a series of crises had already delayed its submission last year. So far, Brussels has approved ERM (8.6bn) of state aid to the bank and the new plan rules out any fresh injection of taxpayers' money.

Yesterday, Mr Van Miert said the Commission had not seen anything yet and indicated that a change of government in France should not be allowed to slow proceedings further. "We need some time to do our job properly and I am really very concerned because we are near the deadline," he said. He wants to complete assessment of the plan by October. Approval should then allow the government to sell Crédit Lyonnais in the second half of next year. *Bruna Tucker, Brussels*

Spanish soccer TV law

Spain's minority government yesterday scored a key victory in its battle against Grupo Prisa, the leading domestic media group, which wants to launch digital television with the offer of pay-per-view first division football. The government pushed through a parliamentary vote banning exclusive TV soccer rights, thanks to backing from the United Left coalition.

The controversial legislation on TV football, which was opposed by the Catalan nationalists and the Socialist party, deals a severe blow to Prisa's venture, Canal Satellite Digital. It will revive allegations the government is trying to muzzle a media group it considers hostile. Under the new law, all TV operators should have access to football broadcasts, and at least one league game a week must be screened free of charge. The legislation effectively breaks the virtual monopoly that Canal Satellite Digital had built up over top domestic soccer. The Socialist party said it would appeal to the constitutional tribunal because the government was "confiscating" the football acquired by Grupo Prisa and applying legislation retroactively. *Tim Burns, Madrid*

EU strictures on Slovakia

Mr Hans van den Broek, the European Union's external relations commissioner, expressed concern yesterday about recent political developments in Slovakia that culminated in the collapse of two referendums last weekend. He was speaking after talks in Bratislava with Mr Vladimír Mečiar, the prime minister.

More than 90 per cent of Slovaks boycotted the referendums after the government exploited a legal loophole to have a question on direct presidential elections deleted. The referendums, including one on Nato membership, were officially declared invalid.

However, Mr van den Broek stressed there was no threat to Slovakia's EU association agreement. A spokeswoman for Mr Mečiar said the prime minister had admitted Slovakia's democratic shortcomings, which have drawn international criticism. *Vincent Boland, Prague*

Malta replaces VAT

The Maltese parliament has passed a legislation replacing value-added tax with a 16 per cent import duty on products from the European Union. Non-EU imports will be subject to a levy of 35 per cent more. Service companies will also have to pay 5 per cent excise duty on turnover. The legislation leaves in place protective levies imposed on some 480 imported items that are also made locally for the domestic market. *Godfrey Grima, Valletta*

ECONOMIC WATCH

Dutch maintain growth

A "leap year effect" held back the headline rate of Dutch economic growth in the first quarter of 1997 to a year-on-year rate of 2.1 per cent, the national statistics office reported yesterday. However, when figures are adjusted to eliminate the effect of the extra day in February 1996, gross domestic product is shown to have grown at an underlying year-on-year rate of about 3 per cent. The statistics office noted that this was in line with the pace of Dutch GDP growth in the second half of last year. The economy has performed more strongly than those of some of the larger European economies over the past year, with buoyant consumer spending providing the main thrust. While the growth of consumer spending is generally expected to slow this year, exports are expected to accelerate keep the overall growth rate up around the 3 per cent mark. Consumer spending rose by 2.7 per cent in the first quarter from a year earlier, the statistics office said. *Reuter, AFP, Vortburg*

Czechs sceptical over second Klaus austerity plan

Spending soars in expectation of further slide in koruna □ Unions oppose more pay curbs

Mr Václav Klaus, the Czech prime minister, was yesterday fighting to convince his sceptical people that a frank admission of the economy's problems accompanying his announcement of the second austerity package in two months was not too little, too late.

As markets reacted coolly to the lack of detail contained in Mr Klaus's proposals for fresh spending cuts and wage controls on Wednesday night, President Václav Havel lamented the prime minister's failure to

announce any longer-term measures besides those to tackle an immediate short-term economic crisis.

Trade union leaders signalled they were not prepared to accept further wage curbs on top of those announced last month without scrapping moves to liberalise rents and energy prices. During last year's election campaign Mr Klaus told voters they could expect a doubling of nominal wages

by 2000. Ordinary Czechs, meanwhile, continued a spending spree, rushing to buy consumer goods and other imported items in expectation of a further slide in the value of the koruna.

The currency has fallen about 10 per cent against the D-Mark and US dollar since being floated earlier this week, and Mr Klaus hinted during his announcement on Wednesday that it should

fall further. The koruna strengthened slightly on foreign exchange markets yesterday, but dealers said trading was nervous.

While the prime minister's diagnosis of the Czech economy's problems - including an overvalued currency, lack of industrial restructuring, inefficient banks, and poor market regulation - was welcomed, the success of this latest austerity package depends on whether the pub-

lic responds to his call for a period of sacrifice.

"If you want to push through a lot of painful measures you have to negotiate, and the bargaining power of this government is very weak at the moment," said Mr Jiří Křiváček, chief economist at WoodCommerz in Prague. "Any other government would be in a better bargaining position."

Recent polls indicate two thirds of the electorate do

not trust Mr Klaus and the government, especially his own Civic Democratic party, the biggest coalition partner.

Mr David Lubin, emerging markets analyst at HSBC Markets in London, said the fact that Mr Klaus did not have a stable majority in parliament "might make the Czech adjustment programme more complicated."

Mr Klaus's policy change emerged after several weeks of political paralysis and

recent speculative assaults on the koruna, which necessitated the decision to float it.

It was accompanied by final agreement on bringing new faces into his cabinet. The new ministers, who include Mr Karel Klíma and Mr Jiří Grusa, currently ambassadors in London and Bonn respectively, represent a shift in power to a younger generation with a technocratic bent. *Editorial Comment, Page 21*

Vincent Boland

OBITUARY
Fritz Leutwiler



Success in bank and business

Fritz Leutwiler, who has died at 72, was one of the leading central bankers of his time. He made his name running the Swiss National Bank for a decade, went on to be president of the Bank for International Settlements at the height of the third world debt crisis in the early 1980s, and then embarked on a successful career as an industrialist.

He was a conservative and decisive figure who realised at an early stage that central banks could no longer cloud their operations in secrecy. Like any other public bodies, they had a duty to explain their actions. And Leutwiler was fortunate in being a good communicator.

He joined the Swiss National Bank in 1952 and took over as president in 1974 when the Bretton Woods agreement on fixed exchange rates was falling apart. Leutwiler's decisive action in breaking the link with the US dollar led the way to the floating exchange rate regime. It was a period of great uncertainty for the Swiss economy and Leutwiler made his mark by establishing a fresh monetary policy which suited the changed circumstances.

An SNB official described him yesterday as a "gifted manager with a highly developed intellectual capacity" for dealing with difficult problems. He was the sort of public figure that Switzerland desperately needs now to debate the international criticism of the country's wartime record.

Leutwiler retired from the SNB in 1984 when many had hoped he would stay on for another term. However, he wanted a fresh career, and spent two years piloting the BIS through the third world debt crisis.

He never claimed to have the solution, but he made sure the BIS arranged short-term bridging finance until one could be found.

In 1985 he took over as chairman of Brown, Boveri, one of the great names of Swiss industry, which had fallen on hard times.

But no sooner had he taken the job than he was recalled as an independent mediator between the South African government and foreign banks, which were on the point of withdrawing financial support. Once again, he showed his talent as a firm negotiator and helped maintain foreign financial support for South Africa at a particularly delicate time in its history.

Leutwiler's career as an industrialist was almost as successful as his time as a central banker. He quickly realised that if Brown, Boveri was to prosper, it needed an international partner and some fresh management.

He was responsible for pushing through the merger with Sweden's Asea which led to the arrival of Percy Barnevik as chief executive and the creation of ABB, one of the world's top engineering companies. Not all of Leutwiler's business initiatives met with the same success. He ended up on the wrong side in boardroom rows at Corange, the family-controlled pharmaceutical company, and also SGS, the Geneva-based international testing company.

However, he continued to have the ear of leading international politicians. Lady Thatcher, the former British prime minister, and Germany's Chancellor Helmut Kohl, for example, sent him on a secret envoy to press South Africa to free Nelson Mandela.

President Mandela later wrote to Leutwiler thanking him for performing the task "discreetly, effectively and without accepting payment or honours". It was the sort of tribute most central bankers would dearly love to receive but few deserve.

Croats slam 'open door' on returning Serbs

An increasingly restive international community is threatening to exact a price for Tudjman's failure to fulfil his promises on refugees, writes Guy Dinmore

Serb refugees trying to return to their pre-war homes in Croatia have been beaten and driven back by ethnic Croats in a concerted campaign that could hurt Zagreb's prospects of closer integration into Europe.

Human rights activists claim the violence reflects a hidden agenda by the Croatian government to create an ethnically pure state. Incidents have erupted in spite of promises by President Franjo Tudjman that Serbs will be allowed back as full Croatian citizens.

The issue has serious ramifications for neighbouring Bosnia, where the 1995 US-brokered Dayton peace agreement has similarly failed to secure the free passage of ethnic Croats, Serbs and Muslims across former frontlines to their old homes.

Because of the incidents in Croatia, western officials have threatened to extend beyond July 15 the mandate of a United Nations transitional administration and

5,000 troops in Eastern Slavonia, the last Serb-dominated enclave in Croatia, along its border with Serbia and Hungary.

Some 80,000 Croat refugees expelled by the Serb-dominated Yugoslav army in 1991 are waiting to return to their homes in the region.

Mrs Madeleine Albright, the US secretary of state, is expected to raise this issue with President Tudjman at their meeting on Sunday. A State Department spokesman said yesterday that it was "entirely possible that the US will have to vote to extend the mandate of the UN military mission in Eastern Slavonia if there isn't better Croatian performance" on the refugee issue.

The recent violence has focused on villages in central and southern Croatia that were occupied by Serb rebels opposed to Croatian independence, until they were driven out in a sweeping Croat offensive in the summer of 1995. An estimated 200,000 Serbs fled "Operation Storm", joining half a million refugees already in Serbia or ending up in Bosnia and eastern Slavonia. Their exodus was followed by the systematic wrecking of thousands of houses.

Mounds of destroyed household items still litter the roadsides. Two mass graves each believed to contain the bodies of a hundred Serbs have been identified along the mountain road linking the strategic railway junction of Knin to the port of Split on the Adriatic coast and Zagreb to the north.

Houses have been daubed with such slogans as "Death to the Serbs" or painted with a large "U", symbol of the pro-German Ustasha regime

in the second world war.

Minefields keep pastures empty of people and livestock. But numerous building sites flying the Croatian flag testify to the resettlement of thousands of Croats who were brutally purged from the Krajina area by Serbs at the outbreak of war in 1991.

According to Helsinki Watch human rights activists, Croat crowds this month attacked and expelled more than 100 Serbs from villages in the area of Kostajnica and further south near Knin, which used to be 90 per cent Serb. Some of the attackers were ethnic Croats who had occupied abandoned homes in Croatia after leaving Serb-controlled areas of Bosnia and the Serbian province of Kosovo.

"It was not an accidental outbreak of violence but evidently something that was organised," said the US ambassador to Zagreb, Mr Peter Galbraith, after visiting Kostajnica. "It is clear that a state that is not sufficiently strong to create security for its own people is not a state that could qualify for admission to Nato or the European Union."

Mrs Albright delivered a similar message at a meeting in Washington with Croatia's foreign minister, Mr Mate Granic. And last Friday, western ambassadors met Mr Tudjman in Zagreb to express their concern.

The UN refugee agency accused Croatia of "ethnic engineering" by sealing up former Serb houses and expelling returnees. One senior diplomat said local officials, including the prefect of Kostajnica, had inflamed the protests and were sabotaging the central government's declared policy of peaceful ethnic reintegration.

"We are trying to emphasise that implementation on the ground does not match policy at the top. It's no use if the words are there but the deeds are not," the diplomat said.

He pointed out that local officials had assigned the homes of Serbs to Croats from Kosovo under a recently passed "temporary accommodation" law, even though they knew their former owners were returning. He said the joint message to a Zagreb anxious to rid itself of its Balkan past was that the road to Europe, for the moment, was closed.

Mr Tudjman's response, carried on the official Hina news agency, was characteristically tough. "Claims that crimes in Croatia are organised and the government is unable to guarantee safety are unacceptable for the Croatian government and for the Croatian public," he said. He asked why no similar concern had been expressed for Croats expelled from their homes.

Mr Ivan Cick, head of the Croatian Helsinki Committee for Human Rights in Zagreb, doubts the sincerity of Mr Tudjman's government. The committee has documented what it claims are several hundred cases of intimidation and attacks on Serbs in the former Krajina region, or rejection of their applications for Croatian papers that would let them to reclaim their property.

He said Knin's strategic importance linking railway lines and roads from Zagreb to the ports and tourist industry of the coastal south meant Croatia could not risk any resurgence of Serb nationalism there.

"Croatian official policy is to forbid their return," Mr Cick claimed.

Nato divisions emerge over new member states

By Peter Wise in Sintra

Divisions among the members of Nato over which eastern European countries should be invited to join an enlarged alliance came into the open yesterday, as the US made clear its commitment to restricting new entrants to Poland, Hungary and the Czech Republic.

According to officials, Britain was in favour of also admitting Slovenia, and Germany indicated that it would not be inflexible in opposing

Nato countries which wanted to bring in five new members, including Romania.

As Nato foreign ministers, meeting in Sintra, Portugal, began their first formal discussions on the issue, the alliance also initiated a security pact with Ukraine. The latter was on similar lines to the historic agreement signed with Russia earlier in the week.

The charter, which is to be signed at the Nato summit meeting in Madrid in July,

provides for Ukraine, one of the biggest of the former Soviet republics, to call for consultations with Nato if it feels its security or political independence threatened.

Eleven countries are candidates to join Nato, but officials said there was broad consensus that membership in a first wave of enlargement would be offered only to Poland, Hungary and the Czech Republic, and possibly Slovenia and Romania.

Ministers from the 16 Nato countries gave no public

indication of which countries their governments favour as new members and a final decision on the formal invitations to be made at the Madrid summit is not expected to be reached until the end of June.

However, it emerged that the US commitment to admit only three new members was backed, for differing reasons, by Norway, Denmark and Greece. France, Italy, Canada, Turkey and Belgium, Portugal and Luxembourg were strongly in

favour of also bringing in Slovenia and Romania.

Britain, apparently modifying previous support for the US position, wanted also to extend membership to Slovenia, according to officials close to the negotiations.

Germany was described as firmly backing Polish, Hungarian and Czech membership but was also sensitive to the strong backing within the German parliament for inviting Slovenia and Romania to join as well. Spain, the Netherlands and

Iceland were reserved in their positions.

Mr Robin Cook, the British foreign secretary, said a vital credential for new members was the military capability that would ensure enlargement did not weaken the alliance. Nato could not admit members whose security it could not guarantee.

Mrs Madeleine Albright, the US secretary of state, said the security pact between Nato and Russia would help diminish Russian resistance to Nato enlarge-

ment but would not result in a full Russian endorsement of the expansion.

"We know it will take time for the progress of trust in our relationship to catch up fully with the process of change," she said.

Reuter adds from Sofia: Bulgaria claimed yesterday that its progress towards democracy, stable relations with neighbouring Balkan countries and the Nato-Russia security pact gave grounds to expect early admission into the alliance.



Britain's new foreign secretary, Robin Cook, with US secretary of state Madeleine Albright, at Nato's ministerial meeting in Portugal yesterday

Way clear for Swiss bank records probe

By Norma Cohen and William Hall in Zurich

More than a year after its creation, the Volcker commission, set up by Swiss banks and Jewish groups to investigate dormant accounts of Holocaust victims, will finally announce a deal next week allowing its inquiry to proceed.

The commission's forensic accountants, Arthur Anderson, KPMG and Ernst & Young, told the Commission just weeks after their appointment last November that they would not proceed unless they were indemnified against possible claims from those disputing their findings.

Until now, the commission, which is funded by Swiss banks, has refused to offer an indemnity or to pay for reinsurance policy against claims.

The deadlock has meant that a scheduled "pilot" audit of the records of four Swiss banks, planned for next month with a final audit by June 1998, will be at least six months late. The inquiry is intended to be the most sweeping ever into the secretive practices of Swiss banks and will include a review of account handling and record keeping.

Creation of the commission, headed by Mr Paul Volcker, a former US Federal Reserve chairman, has been one of the Swiss government's moves to head off an international boycott of its banks. Jewish groups and inter-

national governments have been critical of the role of Swiss banks in dealing with Nazi Germany during the second world war. The banks are accused of holding billions of dollars in assets of those who perished in the Holocaust. Swiss banks deny that any significant sums remain and the Volcker commission is charged with uncovering the truth.

Under an arrangement agreed yesterday, the accountancy firms will set up a Swiss reinsurance facility to cover the costs of possible claims above the limits of existing liability insurance. The firms will pay the premiums but the banks will pay slightly higher accounting fees. The deal is expected to be announced at the commission's meeting in Israel next Tuesday.

It is common for international accounting practices to seek indemnities for certain types of non-audit work.

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Taliban forces 'beaten in north'

By Charles Clover
in Tarmez, Uzbekistan

All foreigners have evacuated the town of Mazar-i-Sharif, north Afghanistan, fearing a vengeful return by the fundamentalist Taliban, whose fighters have been driven out after a 15-hour street battle.

The forces of General Abdulmalik Pahlavani killed 500 of their erstwhile allies in possibly the bloodiest engagement of Afghanistan's 18-year civil war.

"I don't think in the history of the conflict there have been several hundred

troops killed in such a short time," one UN worker said when arriving in the Uzbek border town of Tarmez. "The Taliban were exterminated."

The bodies of the Taliban are slowly being buried or exchanged for prisoners. The fate of north Afghanistan, which seemed sealed four days ago as the Taliban swept through the region, is once again open to question.

Another UN aid worker said: "The Taliban are furious and we heard that 100 truckloads of their troops had left Poli-i-khomri [a

town south of Mazar-i-Sharif which the Taliban took on Wednesday] heading for the north."

Doubts remain about the ability of the Taliban to retake city. "They will try to come back to Mazar, but they can't. They are finished in the north," another aid worker said.

The Taliban and the forces of Gen Abdulmalik had jointly occupied Mazar-i-Sharif for two days as allies. Last Monday, Gen Abdulmalik had originally sought Taliban support after he split with his commander, General Abdurashid Dostum, the Uzbek warlord who

helped lead the northern alliance against the Taliban. Gen Abdulmalik captured Mazar from Dostum on Saturday, and on Sunday, a Taliban contingent numbering up to 1,000 was allowed in.

Fighting started on Tuesday after the Taliban foreign minister, Mullah Mohammed Ghous, met representatives of Gen Abdulmalik in Mazar and demanded the latter begin to hand over their weapons, and install as governor of the town Mullah Abdurazzaq, Taliban governor of the town of Herat.

"This was not the deal they had earlier made," said the UN worker.

It is unclear which side started shooting first. The Taliban were at a disadvantage, surrounded in the centre of the city by Gen Abdulmalik's forces who controlled the city's access routes. "It was easy to tell the Taliban. They have full beards. They are a completely different tribe," said one UN worker. "They were hunted down."

As the magnitude of the slaughter settles in, Afghan alliance patterns are once again in motion. In Tarmez, it was rumoured that Gen Dostum was due to arrive from Ankara, where he fled last week.

Third world capital inflows to rise

By Patti Waldmeir
in Washington

Ageing western populations and the resulting pressure for pension reform will help sustain private capital flows to developing countries at record levels, the World Bank said in a report yesterday. Pension funds are likely to raise investments in emerging markets, says the report, *Private Capital Flows to Developing Countries: The Road to Financial Integration*.

"The growing proportion of private capital flowing to developing countries is here to stay," Mr Joseph Stiglitz, World Bank chief economist, told a press conference. This is being driven by structural forces, including the growing integration of international financial markets, the report says, noting that these forces "have yet to reach their limits both on the international side and in developing countries."

Developing countries' share of world market capitalisation, now around 10 per cent, could rise sharply as developing economies grow at nearly double the rate of industrial nations and develop rudimentary financial markets and new countries benefit from flows.

The report says western demographic shifts are a new factor in private flows: an ageing baby boom generation will increase pressures for pension reform including shifts to fully funded schemes, privatisation and easing of regulations on risky international investments. "Pension funds are likely to be a major force in the demand for portfolio equities from developing countries," it says, noting pension fund holdings of emerging market assets, now \$70bn, could rise "very considerably" over the next decade.

INTERNATIONAL NEWS DIGEST

Israel in 'final status' delay

Israel has pulled back from plans to start to wrap up final status negotiations within six months, a senior adviser to Prime Minister Benjamin Netanyahu said yesterday. Mr David Bar-Ilan, director of communications and policy planning, said "any belief in the idea that we could do this" was no longer realistic. Mr Netanyahu had launched the proposals two months ago but the Palestinians were highly sceptical, believing it a plan to side-step implementation of the Oslo accords.

Maps of a final settlement, to focus on future borders, Jewish settlements in the West Bank, refugees and Jerusalem, were published yesterday in Ha'Aretz, the liberal daily newspaper. The maps, prepared by the Israeli Defence Forces, showed how 40 per cent of the West Bank would be handed over to the Palestinians, it said.

Mr Netanyahu confirmed that ideas for a final peace deal were for the first time discussed at Wednesday's cabinet meeting but said he had not drafted any map. Mr Osama al-Baz, the Egyptian envoy, was last night due to meet Mr Netanyahu.

Judy Dempsey, Jerusalem

US promises Africa backing

Africa faces a rare opportunity in pursuit of economic growth and development which Washington fully intends to support, Mr Lawrence Summers, deputy US treasury secretary, has told the annual meeting of the African Development Bank (ADB) group in Abidjan, Ivory Coast. He promised greater help for those countries pursuing structural reform, new initiatives on primary health care and education, and more aggressive support for infrastructure improvements needed to support private sector-led growth.

In what officials described as "America's recommitment to post-colonial Africa," a package of concessions to include tariff reductions and exemptions, qualified debt write-offs and direct financing will be on offer to better performing countries, with Ivory Coast, Uganda, Ethiopia and Ghana among those in vogue, as well as South Africa and Mozambique, Mr Summers' next destinations. While the Clinton administration hopes to pass legislation through Congress this year allowing its policy shift, Mr Summers acknowledged external involvement in Africa was changing from bilateral and multilateral bodies to an expanding private sector interest.

Anthony Goldman, Abidjan

Kabila gives poll pledge

Mr Laurent Kabila was sworn in yesterday as president of the country he conquered and renamed Congo. He promised elections in two years, after a transition from three decades of dictatorship under former President Mobutu Sese Seko. "We should start from the beginning," Mr Kabila declared, giving for the first time a timetable for the move from dictatorship to what he has promised will be full democracy.

He took the oath in Kinshasa's Kamanyola Stadium at a ceremony watched by more than 50,000 people, and the presidents of Angola, Rwanda, Uganda, Burundi and Zambia, all strong backers of Mr Kabila in his war against Mr Mobutu. Mr Kabila said a commission to begin work on the constitution would be installed by September, and its work should be completed by October 1998. A referendum on the constitution should be held by December 1998, followed by presidential and legislative elections in April 1999.

AP, Kinshasa

New help drives Turkish advance

By Kelly Couturier in the
Zab River valley, Iraq, and
Edward Mortimer in Ankara

Unprecedented co-operation between the Turkish military and forces loyal to the Iraqi Kurdish leader Mr Massoud Barzani has been a key factor in the success of a continuing Turkish offensive against Kurdish separatist rebels in northern Iraq.

Mr Barzani's collaboration with the Turkish troops in their two-week-old offensive against the Kurdistan Workers' party, or PKK, stems from a shared goal to clear the region of PKK forces, according to a Kurdish Iraqi source.

The PKK, the source said, had been trying to become the dominant Kurdish force in the northern Iraqi Kurdish enclave, which is currently divided into zones controlled by Mr Barzani's Kurdistan Democratic party and the rival Patriotic Union of Kurdistan, led by Mr Jalal Talabani.

The new-found co-operation between Turkey and Mr Barzani could alter the balance of power in the chaotic Kurdish enclave - where regional powers Ankara, Tehran and Baghdad continue to struggle for influence.

Baghdad has been denied authority in predominantly Kurdish northern Iraq since



Several hundred demonstrators protest yesterday in Baghdad against Turkey's offensive in northern Iraq

the end of the Gulf war.

The Turkish incursion, reported to involve as many as 50,000 troops inside northern Iraq, has been harshly criticised by Iran and Baghdad, as well as by Syria.

Turkish military and government officials have shaken off the criticism, however, declaring the operation will continue until the PKK is cleared from the area and Mr Barzani's forces have assumed control of the region.

Turkish military officials in Iraq say the Turkish offensive, one of the largest of several cross-border operations undertaken in recent years, has wiped out PKK camps in the Zab, Sinat, Haqurk, Zeli, Haftanin and Kesan regions of

Iraq, all close to the Turkish border.

The PKK has used the targeted camps as bases from which to launch attacks into Turkey, where they have been waging a guerrilla war since 1984.

The Turkish military recently took a group of journalists - the first reporters to be allowed into the zone since the operation began - to the Zab Camp, located in the Zab River valley about 18km south of the Turkish border and about 100km east of the Iraqi town of Zakho.

Taking the Zab Camp, which the military said was the PKK's headquarters in northern Iraq with more than 1,000 guerrillas, was one of the main objectives of

the operation, according to gendarmier Lt. Gen. Altay Tokat, commander of regional forces, who briefed reporters at his tactical command centre perched atop a ridge in the Cukurca region of southern Turkey.

The battle for Zab began. Gen Tokat said, when fighter jets and Super Cobra helicopters bombed the camp, after which specially trained mountain commandos moved into the area and engaged guerrillas during a fierce 48-hour firefight on May 18-19.

Reporters trekking along a mine-strewn path into the camp, which is built into a mountainside with a sweeping view of the river valley below, found traces of the recent battle - shrapnel from bombs, torn guerrilla uniforms and bullet casings.

Turkish soldiers in firing position in fortified dugouts dotted the mountainside, while other soldiers searched the ridge above. Below, in the valley, more units continued to engage guerrillas. The sporadic sound of gunfire echoed up the mountain side.

A bombed-out, gaping cave carved into the slope that was once Zab Camp had been used by the PKK as a political and military training centre, soldiers here explained.

Another nearby multi-roomed cave had been used

as a hospital and meeting room, the soldiers said.

The toll for the Zab battle, according to Maj Gen Yusuf Soybas, commander of the gendarmier division whose soldiers fought here, was 500 PKK dead, five captured and one wounded. The Turkish forces lost 20 men, he said, at least 10 of them killed by land mines. The rest of the estimated 1,000 guerrillas based here were believed to have fled to mountain areas south and east of Zab, Gen. Soybas said.

To date, Turkish military officials claim to have killed more than 1,800 guerrillas, but this has not been independently confirmed. According to Iraqi Kurdish sources, an estimated 5,000-6,000 guerrillas were believed to be based in the region.

One western source was cautious about the high guerrilla casualty figures announced by the Turkish military.

"No high-ranking diplomat, government official or former military officer is going to believe body counts unless the bodies are shown," he said.

But even if the death count is lower than reported, the source said, "the operation has been effective in attaining its main military objectives of disrupting PKK command-and-control, communications and logistics."

NEWS: WORLD TRADE

EU-Norway deal on salmon blocked

By Neil Buckley in Brussels

A furious row in the European Commission yesterday blocked a proposed deal with Norway to avert the imposition of anti-dumping duties on imports of Norwegian salmon.

The 20 commissioners have now been summoned to an almost unheard-of 9pm meeting on Sunday in an effort to reach a last-minute agreement on the planned deal before the legal deadline of midnight Sunday.

Scottish fishing groups - which officially complained last year that Norway was dumping Atlantic salmon in the EU market at below-cost prices - say the proposed deal puts 5,000 jobs in the Scottish salmon industry at risk.

The deal involves undertakings from Norway to sell its salmon in the EU above a minimum price and to limit growth of its imports into the EU, rather than having

13.7 per cent anti-dumping duties imposed on its salmon as originally proposed in March by Sir Leon Brittan, trade commissioner.

A "heated" four-hour meeting yesterday broke up in acrimony after Sir Leon failed to persuade enough fellow commissioners that the agreement he had negotiated with Norway this week was preferable to anti-dumping duties.

He was vigorously opposed by fellow UK commissioner Mr Neil Kinnock, Mr Padraig Flynn, social affairs commissioner, and Mrs Emma Bonino, fisheries commissioner. They insisted minimum price undertakings were insufficient, with punitive duties the only effective option.

Sir Leon had been expected to press ahead with duties after a Commission investigation supported the complaints from Scottish and Irish fishermen that Norwegian salmon growers,

helped by state subsidies, had been dumping salmon in the EU at up to 14 per cent below cost price.

The trade commissioner - if backed by other commissioners - can impose temporary duties for six months without approval from EU ministers, though he must consult a committee of EU states' representatives.

Meetings of the committee last month exposed significant opposition among EU states to Sir Leon's proposed duties.

All sides have refused to disclose the terms of the proposed compromise with Norway.

But it is thought to include five-year minimum price undertakings; "indicative" limits on the increase in Norwegian salmon exports to the EU each year until 2002; a rise in Norway's own export tax on exporters, and regular European Commission monitoring.

Hope is for accord to be tough enough to win member states' approval next month

Brussels reaches pact on leg-hold traps

By Emma Tucker in Brussels

The European Commission has reached a new agreement with Canada and Russia on the use of leg-hold traps in the hunting of animals such as wolves and lynx, which it hopes will be tough enough to win approval from member states next month.

The agreement goes further than a previous deal thrown out by environment ministers for being too soft on the use of such traps which they condemn as inhumane.

It is unclear whether its demands will go far enough to satisfy the environment ministers, many of whom would like an outright ban on the use of leg-hold traps. They are due to consider the proposals on June 15.

The draft agreement includes a slightly shorter phase-out period for steel-jawed leg-hold traps and has tightened an exemption for indigenous people. Under the new deal, this will now only apply to the use of traditional wooden traps in certain areas of Russia.

However, the deal would

still allow plastic-padded and under-water leg-hold traps to be used, both of which have been strongly condemned by countries such as the Netherlands and the UK.

The Commission, asked by the council to negotiate an agreement on the use of traps last year, believes a commitment from Russia and Canada to phase out the use of leg-hold traps is a more effective way of ensuring a substantial improvement in animal welfare than an outright ban on fur imports from countries where such trapping methods

are used.

Sir Leon Brittan, the EU's chief negotiator, also argues that a fur ban could also trigger a trade war, because Canada and the US have vowed to challenge any import ban under the World Trade Organisation.

Even if this agreement is adopted by environment ministers next month, the problems of fur imports from the US remain unresolved. EU negotiators have failed to make headway with the US, which insists on the right to continue using steel-jawed traps if an alternative trap

ping method cannot be found.

Under the revised deal, the use in Canada of all jaw-typed leg-hold traps on land will be prohibited for seven of the 12 relevant species as soon as the agreement enters into force.

For the remaining five species, conventional steel-jawed traps on land will be outlawed at the end of the third trapping season after the agreement is concluded. This means March 31 of the year 2000 if the Council approves the deal before October this year.

US and Israel clash on trade barriers

Washington seeks reforms on standards and greater transparency over tenders

There is a small non-kosher butcher shop close to Jaffa Street, one of Jerusalem's busiest thoroughfares, where Jacob, the owner, sells a wide selection of meats. They range from imported Spanish prosciutto and Italian salami to locally-produced lamb and goat liver pate.

He sells beef as well. But none of it is imported. Under pressure from Israel's religious parties, beef imports were banned a few years ago, but the rabbis did not stop the production of local non-kosher beef.

It is that discrimination, or what the US calls a denial of "national treatment" in international trade agreements, which will be raised when Israeli and US trade officials hold talks in Washington later this week.

The talks follow a scathing speech earlier this month by Mr Martin Indyk, the outgoing US ambassador to Israel. He argued it was reasonable to ask "our closest ally" (Israel) that they "work with us to open their markets to US exports", which, he added, faced many barriers from the Israeli side.

He was concerned that Europe now accounts for 50 per cent of all exports to Israel and is running a large trade surplus, while the US has a 20 per cent share. US-Israeli trade is roughly bal-

anced at about \$6bn a year each way.

To drive home his point that Israel should open further its markets to US goods, he told the audience, which included Mr Benjamin Netanyahu, Israel's prime minister: "You owe it to us" - making more than an oblique reference to the \$10bn-worth of US-backed loan guarantees Washington granted Israel in 1993 to accommodate the 700,000 Russian immigrants, and which expire next year.

What US trade officials seek from Israel are reforms that will improve bilateral trade and lift barriers. Apart from the beef issue, these include standards, protection of intellectual property rights and transparency of public tenders.

The US insists Israel open the market to US packaging, which is still not metric. US food, for example, is packed in pound/ounce units.

Mr Zohar Perry, head of international trade at Israel's trade ministry, says he cannot understand why US producers cannot introduce metric labelling on packages, adding that it was in the interests of the local consumer that Israel had been reluctant to open its market to these US goods.

US trade officials reply it is because the Israelis want to protect their own markets.

"Why should we move away from the metric system when it is the norm in nearly all the rest of the world?" argued Mr Perry. "This US attitude would not be tolerated in European countries. US producers feel it is not worth changing their labelling for such a small market as Israel but they would do it in Germany."

Mr Edgar Fulton, commercial counsellor at the US embassy in Israel, says the small and medium-sized US companies which are trying to go global but do not have subsidiaries abroad, think the Israeli markets should be one of the places for easy export.

After all, "both countries have a free trade agreement dating back to 1985 and fully implemented two years ago," he said. As a first step to a compromise, Israel has agreed to have a system of labelling, informing the consumer the cost of the US product per 100 grams.

Of even more concern for the US is protection of intellectual property rights. Earlier this year, Israel for the first time was placed on "Super 301", a US blacklist for inadequate protection of intellectual property by America's trading partners. Piracy of video cassettes, compact discs and comput-



Netanyahu told 'You owe it to us' to lower the barriers

ers was one of the reasons, but not the main one. Instead, it was the intentions of Israel's justice ministry.

After lobbying by the pharmaceutical companies, including Teva, Mr Tzachi Hanegbi, justice minister, wants to amend the country's patent laws in such a way as to permit local generic drug producers to make and sell abroad ethnic drug compounds patented by US companies before the US patent expires.

Mr Taim Tomkins, economics counsellor at the US embassy in Israel, says that this would be an infringement of the rights of US patent holders. Mr Indyk went further. He warned that Israel was handicapping

itself in drawing foreign investment as a result of its weak intellectual property rights regime.

Another contention - one raised repeatedly by the US in its trade relations with Germany - concerns tenders. The US thinks the existing tender law is complex, lacks transparency, tender committees are under pressure from local manufacturers, and Mr Indyk says, European competitors "benefit from long-standing relationships as suppliers, from imbedded preferences in the government and the government-owned companies".

Israel's trade ministry brushed aside criticisms of bias or lack of transparency. "If US companies believe they have lost out on tender for unfair reasons, they should go to the courts," said Mr Perry.

Another official said he wondered if Washington's argument with Israel was really about its concern over the growing impact of European Union trade in Israel and the rest of the Middle East.

Whatever the reasons, Israeli officials said they would be under pressure to make compromises and introduce reforms. "Such is the price of dependence on the US," one added.

Judy Dempsey

Saudi Arabia urged to open up to imports

By Frances Williams
in Geneva

Saudi Arabia's trading partners yesterday urged it to present by the autumn a wide-ranging offer to open its domestic market to foreign goods and services in order to speed talks on its application to join the World Trade Organisation.

Mr Osama bin Jaafar bin Ibrahim Faqih, the Saudi commerce minister, told the third meeting of the WTO working party drafting the country's entry terms that his government hoped to be in a position to submit initial offers "shortly". The working party is expected to meet again in late autumn.

The oil-rich kingdom, which applied to join Gatt, the WTO's predecessor, in 1983, had hoped to join the world trade body later this

year. However, this goal now looks unachievable and trade officials say some time next year is the earliest the Saudis can realistically aim for.

Even this depends on faster progress in the membership negotiations, in which applicants negotiate both their compliance with general fair trade rules and, in bilateral talks with their main trading partners, the lowering of tariff and other trade barriers to imports of goods and services.

Saudi Arabia's economy is dominated by state-owned oil and chemical industries and its fledgling private sector is protected by high tariff walls and a raft of other measures.

The Riyadh government has asked for the longer transition times accorded to developing countries.

However the US and other WTO members are expected to insist on early compliance with fair trade rules on such issues as intellectual property, where copyright piracy is rampant, and agriculture, where generous farm subsidies enabled the desert kingdom in 1982-83 to become the world's sixth-biggest wheat exporter.

Saudi officials said yesterday that subsidies as a proportion of the value of agricultural output had fallen from 25 per cent in 1992 to just under 19 per cent in 1994, the latest available year.

Trading partners also raised questions about the country's import licensing system, including a ban on imports of pasteurised milk and restrictions on the import of eye-glasses and breeding horses.

Shanghai's foreign groups 'evade' tax

By James Harding
in Shanghai

Nearly half the companies backed by foreign investment in Shanghai are evading tax payments, costing China's largest city hundreds of millions of dollars in lost revenue, according to government tax officials. The problem is adding to

the fiscal difficulties of the government, which is pursuing an ambitious spending programme but is saddled with a chronically inefficient tax collection system.

The *Business Times*, the official business newspaper in Shanghai, reported yesterday that of the more than 5,000 registered foreign companies, only 2,807 had regis-

tered to pay tax, indicating that nearly 50 per cent had so far paid no tax at all.

The article suggested that the municipal authorities might put greater pressure on foreign businesses to meet their tax obligations. The Shanghai tax office would make no comment.

Nevertheless, the Shanghai local government col-

lected a total of Yn4.077bn (\$490m) in taxes from foreign firms in this year's first quarter, up 42 per cent on the same period last year.

The World Bank estimated last year that China needed to raise revenue collection to 6 per cent of gross domestic product if it was to finance the infrastructure and social spending required to main-

tain high growth rates. China introduced tax reforms in 1994 to try to improve efficiency in collection, but 1996 fiscal revenues as a proportion of GDP fell from the level a year before, which was seen as evidence of endemic tax evasion.

Yesterday's implicit criticism of foreign companies in Shanghai follows recent attacks on a separate front: labour law violations. "Many overseas-funded ventures haven't paid into pension funds or housing accumulations funds... some enterprises have not given employees overtime pay and some have fired employees indiscriminately," said the Shanghai Star, the local newspaper.

ASIA-PACIFIC NEWS DIGEST

Jiang may be at HK handover

China's President Jiang Zemin seems set to visit Hong Kong for the ceremonies marking the territory's return to Chinese sovereignty at midnight on June 30, according to diplomats. It will be the first time a Chinese head of state has set foot in Hong Kong, a British colony for more than 150 years.

Mr Hugh Davies, leader of the British delegation to the Sino-British Joint Liaison Group (JLIG), said Britain still awaited confirmation of China's representatives at the handover ceremonies. But he indicated China was expected to be represented at the most senior level.

"We have already announced that our principal participant will be the Prince of Wales," said Mr Davies, before yesterday's JLIG talks. "We still await confirmation of who will be the principal participant on the Chinese side, though we have been given some broad hints it is somebody very senior."

John Ridding, Hong Kong

Thais see reserves decline

Thailand yesterday reported a drop in foreign reserves and a balance of payments deficit for the third straight month, but also saw a better export performance and modest renewal in the growth of manufacturing output.

Foreign reserves at the end of April were \$37.3bn, a fall of \$800m from a month earlier. Economists expect a further drop next month because of central bank intervention in support of the baht. The balance of payments deficit was \$15.5bn (\$804m), higher than the March deficit of \$17.0bn but still smaller than February's \$26.6bn deficit, the last time the baht was attacked.

The manufacturing output index rose for the first time in several months, up 6.4 per cent year-on-year in March against 3 per cent the month before. Exports in March grew 4.8 per cent year-on-year against a 5.5 per cent year-on-year decline in February.

Ted Bardacke, Bangkok

Manila checks foreign stakes

The Philippine Securities and Exchange Commission, the market watchdog, yesterday ordered the establishment of an effective system to monitor foreign ownership of partially nationalised companies.

Foreigners may buy a stake of up to 40 per cent of groups in the telecommunications, banking, shipping and manufacturing sectors. Mr Perfecto Yasay, SEC chairman, said declassification of companies' A and B shares meant an independent monitoring system was now needed to ensure foreigners stayed within the 40 per cent limit.

Cathay may seek payment

Cathay Pacific, Hong Kong's main airline, said yesterday it would explore the possibility of seeking compensation from Rolls-Royce following the grounding of its Airbus A330-300 aircraft because of engine problems. Analysts calculate the flight stoppages have cost Cathay Pacific some HK\$5m (US\$650,000) a day, plus costs incurred in chartering substitute aircraft and accommodating stranded passengers. The aircraft have not flown since Saturday, and it was first thought they would be grounded for three weeks.

However, Cathay Pacific now says Rolls-Royce have pinpointed the problem and that assuming all tests are satisfactory, the aircraft could be back in the air as soon as Sunday.

Louise Lucas, Hong Kong

China urged to step up search for new oil fields

By Tony Walker in Beijing

China must redouble efforts to discover new oil fields to cater for a fast-growing economy and reduce growing dependence on imported fuels as the gap widens between demand and supply.

Mr Li Peng, the premier, writing in *Seeking Truth*, the Communist party magazine, said China should focus its oil search in its underde-

veloped western regions under a policy of "stabilising the east and developing the west". This was a reference to the need to preserve production at oil fields in the east while pursuing new finds in the Xinjiang region of Central Asia.

Mr Li, a power sector engineer by profession, was expressing China's increasing concern about the mounting cost of oil imports. China became a net oil importer in

1995, and unless substantial new deposits are tapped imports are set to rise five-fold by 2010.

China's economy has been growing at about 10 per cent, but oil output has remained relatively stagnant. It was up about 5 per cent last year to 156m tonnes, but increasing investment is needed to maintain flows from its main Daqing field, which accounts for about a third of national production.

Mr Li, who is tipped to be given responsibility for large infrastructure projects when he steps down from the premiership next year, also called for greater use of China's natural gas reserves, noting the country's "production scale is fairly small, far below the world average." Natural gas output was 20.1bn cubic metres in 1996.

Foreign oil companies, which have been restricted to marginal

areas in exploration onshore, blame China's growing "oil deficit" on an unwillingness by the nationalistic Chinese to open more prospective areas to foreigners.

But there are signs that the fuel import bill - China imports 15 per cent of needs - is prompting a re-think. Beijing is opening more promising areas of its Tarim basin in Xinjiang, seen as one of the world's last great "oil plays".

Koreans face an array of hurdles to recovery

After a year of economic gloom, the outlook seems brighter in Seoul. The stock market yesterday hit a record high for 1997, while the release of economic data for April revealed that South Korea's current account deficit is continuing to narrow.

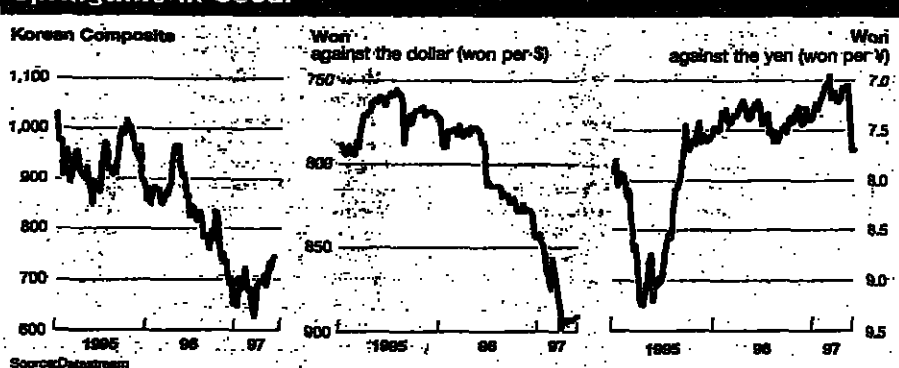
The reason for optimism has been the growing strength of the yen against the US dollar this month. The health of the economy is largely tied to the fortunes of the Japanese yen, since the two countries compete in many of the same export industries.

The weak yen last year allowed Japan to undercut such South Korean products as cars, electronics and ships in global markets, which contributed to Seoul's record current account deficit of \$23.7bn in 1996.

A stronger yen should now boost South Korean exports at Japan's expense as the Korean currency, the won, is broadly pegged to the dollar.

Government officials in Seoul believe the latest economic downturn that began a year ago probably hit bot-

Springtime in Seoul



tom in the first quarter of 1997, when the growth rate in gross domestic product fell to 5.4 per cent.

State and private economists predict that economic growth this year will reach the government's target of 5.5 to 6 per cent against 7.1 per cent in 1996, while the current account deficit will shrink to \$16bn-\$20bn.

But most analysts believe that full economic recovery is unlikely until next year. They estimate that the yen would probably have to rise to 100 to the dollar before

the exchange rate had a significant impact on the performance of the South Korean economy, with the effects taking several months to be fully felt.

"We will see a turnaround in the next two or three months because of the yen/dollar exchange rate, but any recovery will not be robust until we see an improvement in the cyclical factors that were the main reasons for the downturn," said Mr Park Ungshu, president of the Samsung Economic Research Institute.

Mr Park blamed the sluggish economy on a slowdown in global demand and a consequent fall in prices for such key exports as semiconductors - which account for 20 per cent of exports - petrochemicals, steel and ships.

Some economists believe Korea's economic problems have been self-inflicted, since huge expansion of its production capacity in the past few years contributed to a supply glut that caused global prices to collapse.

Other potential economic pitfalls this year include the

possible fall of more heavily indebted conglomerates following the bankruptcy of the Hanbo and Sammi steel groups, and political uncertainty caused by a presidential election and the instability of a starving North Korea. A rise in international oil prices also threatens to worsen South Korea's balance of payments, since energy accounts for 40 per cent of its imports.

In spite of these problems, the Samsung institute predicts that GDP growth will improve to 7.2 per cent next year, while the current account deficit will further narrow to \$12bn.

However, analysts are concerned about whether Korea can sustain its traditionally high growth rates because of its industrial woes.

"Although the economy is improving, structural problems must be still be corrected," said Mr Lee Seung-Hoon, economic analyst with BZW Securities in Seoul.

The current downturn has underscored that South Korea's economy is vulnerable when it is deprived of the advantage of a cheap cur-

rency against Japanese competition.

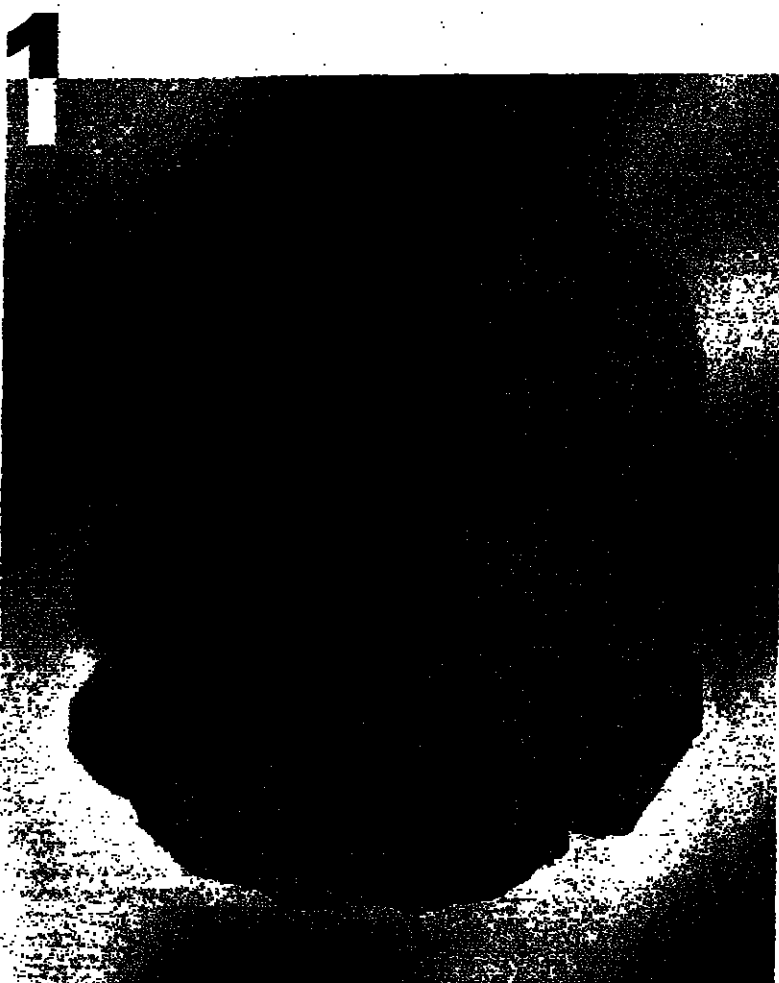
South Korea lacks the capability of Japan in overcoming the effects of a strong currency by improving productivity and cutting costs. Japanese companies are also more technologically advanced and financially healthier, while relying on a domestic market three times as large and twice as rich as Korea.

South Korea, having ignored warning signs from previous recessions, is in danger of repeating its mistakes by refusing to proceed with rapid economic deregulation and financial liberalisation that would reduce production costs.

"Next year may turn out to be only a bubble economy if we waste the opportunity to readjust the economy, such as making the labour market more flexible and easing restrictions on the financial market," said Mr Park. "If we fail to learn from the current downturn, Korea is perhaps doomed for ever."

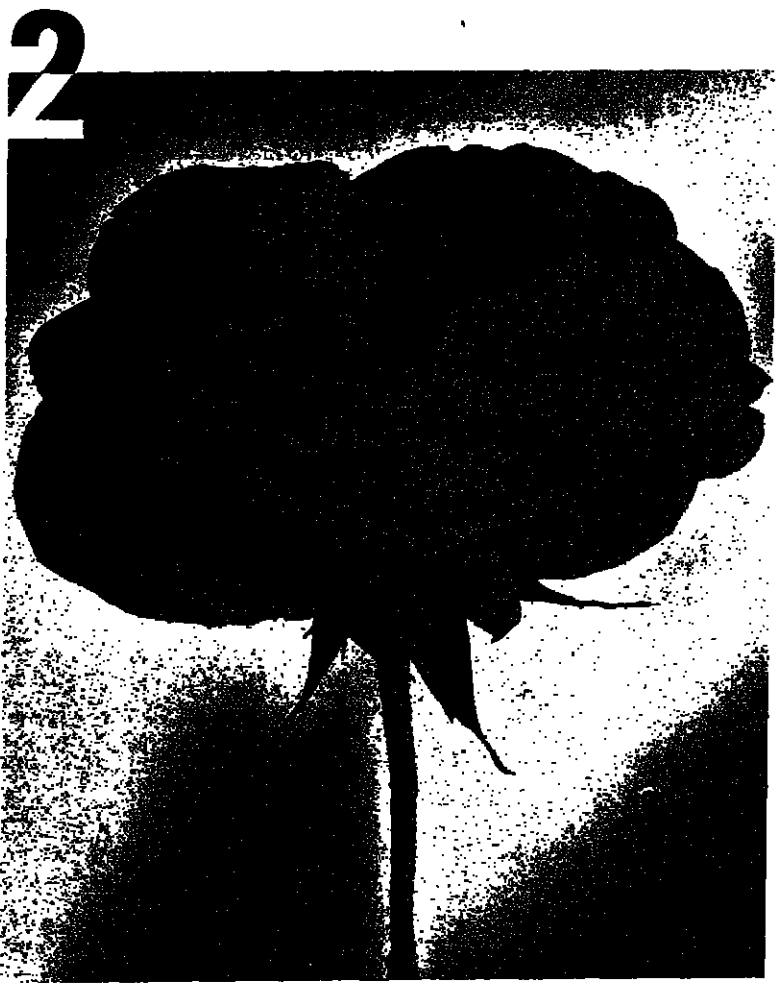
John Burton

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World Bank warns of new debt crisis

By Stephen Fidler,
Latin America Editor

The use of government guarantees to help finance private projects in Latin America and Asia risks causing a fresh debt crisis, the World Bank warned yesterday.

The warning comes as countries across Latin America and Asia are privatising state-owned companies and increasingly relying on private financing of infrastructure, as part of efforts to cut government spending and reduce public borrowing.

At a conference which began yesterday in Cartagena, Colombia, government officials and others from Latin America were repeatedly warned against letting the increasingly popular guarantees get out of hand.

Mr Christopher Lewis of Ernst & Young and Mr Ashoka Mody of the World Bank said: "Nobody knows for sure what the full extent of these liabilities is - because no attempt to systematically undertake them has been undertaken."

"However, with the accelerating pace of privatisation and deregulation in Latin America, the use of government guarantees may soon amount to an unmanageable exposure on many governments' balance sheets."

Governments should develop ways of quantifying exposure to private infrastructure projects and provide fiscal reserves for them.

Only two governments - Colombia and the Philippines - were consciously trying to develop ways to manage this exposure. The Philippines last year initiated a programme to assess its exposure to infrastructure projects, as well as pension and mortgage liabilities. Colombia last year sponsored a pilot programme for measuring contingent liabilities on certain projects.

Papers presented to the conference make clear such guarantees are not always explicit, citing examples of French and Mexican toll road financing programmes which ended in bail-outs and substantial fiscal costs. Investors - at least equity investors - have to be allowed to fail and governments should treat implicit guarantees as explicit ones - and reserve for them fiscally.

A paper from three economists from the University of Chile said government guarantees reduced incentives to screen out white elephant projects, blunted incentives and created contingent liabilities for government which were seldom valued.

It said governments should minimise the risks they take by simplifying the method of auctioning for projects, not being dependent on information from franchise holders, providing incentives for marketing and maintenance, avoiding opportunistic renegotiations, designing flexible contracts and introducing competition, where possible.

It suggested a new type of auction for infrastructure projects such as toll roads, which often prove problematic. They suggest the user fees to be charged by franchise holders should be fixed - and the franchise should be won by the company that asks for the least user fee revenue in net present value terms.

The franchise should revert to the government when the present value of user fee revenues is equal to the size of the bid.

This provided a ready mechanism to extend the length of franchises if revenues fell below projections, and made projects less dependent on initial user forecasts and less prone to potentially damaging contract renegotiations.

Canada votes on Monday. FT writers report from two key politicians' patches

Federalist charmer lures Quebec



CANADA ELECTIONS
June 2

More than half the residents of Sherbrooke, a tourist and service centre in Quebec's Eastern Townships, voted in favour of independence from Canada in an October 1995 referendum. Yet a poll published last Friday by La Tribune, the local newspaper, showed more than 80 per cent of decided voters planned to back two federalist candidates in the general election next Monday.

The change of heart has much to do with one of the candidates, and the sitting MP, being Mr Jean Charest, 38-year-old leader of the Progressive Conservative party. Mr Charest has emerged as the star performer of the campaign across the country.

According to La Tribune, 75 per cent of Sherbrooke voters support him, compared with just 18 per cent for the secessionist Bloc Québécois (BQ) candidate.

The trend in Sherbrooke may be magnified by Mr Charest's presence, but it is evident throughout Quebec. On Monday the independence movement could suffer its first serious reversal in more than a decade.

"We've allowed them to have the floor for the past few decades," says a Montreal lawyer and federalist organiser. "More and more people are realising that this uncertainty is hurting their future."

His judgment is mirrored by concern in the separatist camp.

Recalling the secessionists' decisive defeat in the first sovereignty referendum in 1980, Mr Guy Bouthillier, president of the Société St Jean-Baptiste, an ultra-nationalist group, said: "We recovered, but it took seven or eight years. We don't want to go through that any more."

Mr Bouthillier warned

Canada: chipping off the old Bloc



Jean Charest, prime minister

Quebecois that a strong showing by the Liberals and Conservatives on Monday "will encourage English Canadians to think that the issue is a dead duck".

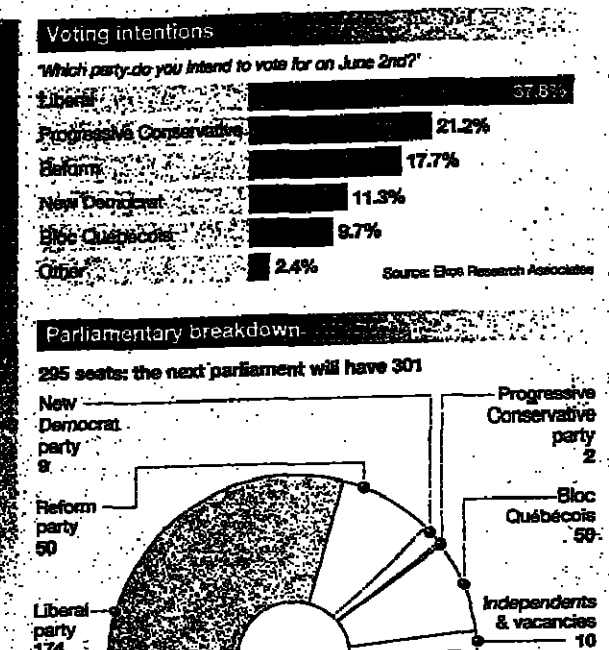
The turmoil in the separatist camp is also evident in the increasingly active role of Mr Lucien Bouchard, Quebec's charismatic premier, who spearheaded the secessionist

The province's independence movement could suffer a serious reversal

tionists' near-victory in the 1995 referendum.

BQ organisers have turned again to Mr Jacques Parizeau, the ex-premier and ideologue, who fell out of favour just a few weeks ago when he revealed he had considered a quick unilateral declaration of independence if the Yes side had won in 1995.

According to polls published last week, the BQ, the Tories and prime minister Jean Charest's ruling Liber-



als were running virtually neck-and-neck in Quebec. However, the Bloc may have received a boost from an unexpected source in the closing stages of the campaign.

The right-of-centre Reform party, whose stronghold is western Canada, has taken an increasingly strident line on Quebec. In a controversial TV advertisement, Reform questioned the right of Quebec-born leaders, such as Mr Charest and Mr Charest, to speak for Canada as a whole.

The federalist fear is that Reform's tactics will not only win support in western Canada, but drive exasperated Quebecois back into the embrace of the separatists before voting day. As a columnist wrote in the Globe and Mail this week, "the Bloc and Reform feed off each other."

Furthermore, Liberal support is heavily concentrated in the English-speaking and immigrant communities around Montreal.

With a few exceptions (such as Sherbrooke), the Tories' grassroots organisation is weak. A split federalist vote could hand victory

to the BQ in many other constituencies. The BQ could still win 40 seats on Monday.

Even that, however, would be a setback. The Bloc Québécois, created in 1989 to give separatists a voice in the federal parliament, swept up 54 of Quebec's 75 seats in the 1993 general election, making it the official opposition in the House of Commons.

It was widely assumed when the election was called in late April that the BQ would once again come out ahead of other opposition parties.

Instead, the Bloc's fortunes nosedived. Its inexperienced leader, Mr Gilles Duceppe, got off to a bad start by turning a photo opportunity into an image nightmare when he toured a cheese factory wearing an unbecoming hairnet.

The BQ has faced more deep-rooted problems too. Two decades of political uncertainty have sapped Quebec's economy. The jobless rate has hovered around 12 per cent, well above the national average. The property market is weak, and foreign investors are wary.

For the past 18 months, Mr

With three days to go to polling in Canada's general election, leaders of the country's ruling Liberal party and its two right-of-centre rivals are focusing their attention on heavily populated southern Ontario.

Ontario accounts for 103 of the 301 seats in the House of Commons. The Liberals are expected to win a substantial number of these seats, but many are expected to produce a tight three-way race with the Progressive Conservatives and Reform.

According to a poll in the Toronto Star yesterday, the Liberals have the support of 41 per cent of decided voters across the country, followed by the Tories (19 per cent), Reform (18 per cent), the social-democrat New Democrats (11 per cent) and the secessionist Bloc Québécois (10 per cent).

Bouchard has put the independence drive on the back burner to focus attention on economic revival. He closed hospitals and schools, and cut the civil service in line with a pledge to eliminate the budget deficit by 2000.

The election has given discontented Quebecois the opportunity to vent their unhappiness with the state

Some fear that voters will be driven back into the separatist embrace

of the economy and Mr Bouchard's policies. The province's biggest trade unions have withheld support from the BQ.

Mr Parizeau pleaded with the unions last week not to confuse "building a new country" with their short-term interests.

Federalist warnings about the economic costs of separation have previously been dismissed as blackmail and scare-mongering. But some observers suggest many

But Reform's strength is heavily concentrated in the western provinces of Alberta and British Columbia, and the BQ is campaigning only in Quebec. Each of these two regional parties could thus end up with more MPs than the Tories.

Concern that the Liberals might win only a minority government after Monday's poll helped push the Canadian dollar and domestic bond prices down earlier this week. But the currency has climbed about one-fifth of a US cent in the past two days, trading at 72.43 US cents at midday yesterday.

A trader at Bank of Montreal forecast a further advance in the dollar after the election, with the Bank of Canada expected to sanction a rise in short-term interest rates.

"soft nationalists" who flirted with the BQ in the past have for a connection between political uncertainty and the province's anemic economy.

A poor showing by the Bloc on Monday would force Mr Bouchard to rethink his long-term strategy.

The Quebec premier, one of Canada's shrewdest politicians, has tried to hedge his bets since the 1995 referendum. On the one hand, he has held out the promise of another independence referendum within the next 2-3 years. But he has vowed to call the vote only if he is sure of winning.

Whether or not the BQ stumbles next Monday, a strong performance by Reform - the current favourite to take over as the official opposition - could give Mr Bouchard the fuel he needs to rev up the independence engines.

Not for the first time in recent Canadian history, anti-Quebec sentiment in the rest of the country could breathe new life into the separatist movement.

Bernard Simon

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Nasdaq to change price increments

By Tracy Corrigan
in New York

Nasdaq, the US over-the-counter stock market which specialises in high-tech companies, will start quoting share prices in increments of $\frac{1}{8}$ on Monday, for all stocks worth \$10 or more, following the approval of the Securities and Exchange Commission, the US regulator, earlier this week.

Previously, these stocks were quoted in increments of $\frac{1}{4}$. Nasdaq stocks under \$10 are already quoted in lower increments, some as small as $\frac{1}{16}$.

The move will "enhance transparency and price discovery by allowing orders and quotes in smaller

increments to be displayed publicly to the market," said Mr Frank Zarb, chairman of the NASD, Nasdaq's parent.

The move could help narrow the gap between buy and sell prices - or spreads - at which Nasdaq stocks trade.

Nasdaq has already imposed new trading rules designed to give public access to better prices, as part of a settlement with the SEC following a report that Nasdaq dealers had kept spreads artificially wide.

An official at the New York Stock Exchange, which also quotes stocks in increments of $\frac{1}{8}$, said the exchange was studying the issue but had no deadline for reaching a decision.

Nine die in two Mexico ambushes

By Daniel Dombey
in Mexico City

Hundreds of Mexican troops were yesterday searching through the south-western state of Guerrero in the aftermath of two skirmishes with guerrillas from the left-wing People's Revolutionary Army (EPR) which left at least nine people dead.

The developments could alter investment risk assessments in Mexico in the run-up to the July 6 congressional elections. Over the last week, the EPR has twice ambushed the army, a return to armed activity after a period when the group has been relatively quiet. Five soldiers have died, together with four rebel members.

The Mexican army claimed it had captured one of the rebels' top leaders, Commander Hermenegildo.

"It is not a surprise that a month before mid-term elections, the EPR has become more active and it is very likely that, in the coming weeks, the EPR will try to create [more] noise and disturb the upcoming elections," said Mr Rodrigo Brand, an analyst with Deutsche Morgan Grenfell in Mexico City.

Simultaneous attacks in several states last year showed the EPR could be an irritant. But the rebels, thought to be a coalition of the remnants of guerrilla groups from the 1960s and 1970s, do not have the force to be a real military threat.

Clinton
Govern
call to

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President praises PM's 'wise steps'

Clinton backs government's call to IRA

By David Wighton, Political Correspondent

President Bill Clinton yesterday gave his full backing to the UK government's demand for a ceasefire by the Irish Republican Army before Sinn Féin, its political wing, can participate in multi-party talks about the future of Northern Ireland.

Mr Clinton reiterated the UK government's call for "an unequivocal ceasefire" and carefully declined to say how long a gap would be required before Sinn Féin could be admitted to the talks.

Speaking to reporters after talks in London with Mr Tony Blair, the prime minister, Mr Clinton praised the "wise and judicious steps" taken by the new government while sending a clear warning to the IRA.

"Obviously, I think Sinn Féin should participate in the talks and I think the IRA should meet what I think has to be the pre-condition," he said. "You can't say 'we'll talk and shoot; we'll talk when we are happy and shoot when we are not'."

Mr Clinton said peace could be achieved only by the people of Northern Ireland, but pledged that the US would be "very active and involved all the way".

Northern Ireland was one of the main issues the two leaders discussed in a one-hour private meeting yesterday, which was described as "very friendly and very productive".

UK government officials said Mr Clinton had "waxed lyrical" about the work done by Ms Mo Mowlam, chief Northern Ireland minister, in the British government.

Ms Mowlam yesterday also stressed the importance of "inclusive talks" about the future of Northern Ireland, but only after an unequivocal ceasefire.

Speaking after talks in Dublin with Mr Dick Spring, the deputy prime minister and foreign minister of the Republic of Ireland, Ms Mowlam refused to specify a timetable for admission of Sinn Féin to the talks. "It is not constructive to debate

that here but for Sinn Féin to seek clarification from our officials to see what can be achieved on that front," she said.

Ms Mowlam was responding to earlier comments from Mr Gerry Adams, the Sinn Féin president, who said that in meetings with UK officials there had been no indication of how quickly the party could be admitted.

"Sinn Féin representatives have not got the clarity they required," Mr Adams said.

Mr Spring called on Sinn Féin to convince the IRA to restore the ceasefire "as quickly as possible". He said: "We want Sinn Féin at the table. They know what has to be done to be at the table."

In London, Mr Clinton and Mr Blair touched on a number of foreign policy issues, including Bosnia, Nato enlargement and Hong Kong.

On Hong Kong, government officials said Mr Clinton had been "keen to stress that America wanted to help in every way".

Mr Clinton urged the UK to work to implement "the word and spirit" of the 1984 agreement with China. "We will keep faith with the people of Hong Kong by monitoring the transition to make sure civil liberties are maintained and democratic values and free market principles."

But the bulk of the talks were devoted to jobs and the new Anglo-American initiative.

The prime minister's office said both leaders sensed there was a "new agenda" that they could lead by learning from America's success in job creation while at the same time acknowledging the importance of fostering an inclusive society.

"The prime minister felt he was talking to someone who was thinking in the same direction," a government official said.

Officials said there was a "very good atmosphere" between the two leaders, who had already built up a good relationship from previous meetings.

Company challenged in London seeks US quotation

By Robert Wright in London

A pyramid-type marketing company whose British arm has been placed in receivership after a government investigation plans to go ahead with a quotation on a US stock exchange.

The official receiver was appointed provisional liquidator of the UK operations of Netherlands-based Vanilla Services on May 20, after the UK government's trade department presented a High Court petition claiming winding up would be in the public interest. Vanilla claims to have 45,000 members in at least 16 countries, most of them in Europe.

The department's petition is similar to others it has sought in the past year against money circulation and other pyramid-style schemes.

The department said Vanilla's main operation was a "gold accumulation plan", which it described as a multi-level scheme where payments were "made to members in the form of gold coins rather than cash".

In spite of the setback, however, the group's internet site and advertisements placed in British newspapers over the weekend continue to claim it is set to be listed on the Nasdaq exchange in the US. The company claims it will gain its listing via a reverse takeover of a quoted company, the same method believed to have been used by Titan - a German-based scheme branded "an illegal lottery" and "pernicious" by the High Court in London - to achieve a Nasdaq listing.

The department said members paid between \$280 (\$58) and \$2,000 to participate in the Vanilla scheme. The level of benefits they received depended mainly on the number of new members recruited, it said.

Mr Andrew Farnill, of law firm Howard Kennedy, who will represent Vanilla at the full hearing on June 25, said he would oppose the petition.

"We are opposing it on the basis that we think the petition is wrongly founded, that the business is not an unlawful lottery. We think that it's a genuine business," he said.

Old material in German on Vanilla's internet site says the public offering is planned for March 1997, with an issue of 40m \$2.50 shares. More recent material says it is planned for June or July of this year.

Speaking from the US, Mr Daniel Deubelbeiss, president of Vanilla, said it was a direct sales company whose main business was selling gold coins via the internet.

"Of course, anyone who works as a distributor for Vanilla will be rewarded for every sale he makes, as in any other trade company," he said. "He will be rewarded based on the amount of revenue he brings into the company."

Mr Deubelbeiss added that normal criticisms of multi-level marketing schemes - that the pool of potential recruits would eventually dry up - did not apply to Vanilla because, he said, the market for gold could never be saturated.

"This market saturating thing is an absolutely theoretical thing," he said.

Mr Deubelbeiss, 33, who holds joint Swiss and Israeli citizenship, claims to have a string of media interests in Europe and Israel, including a company producing TV commercials, based in Frankfurt.

Investment is sought in remote areas

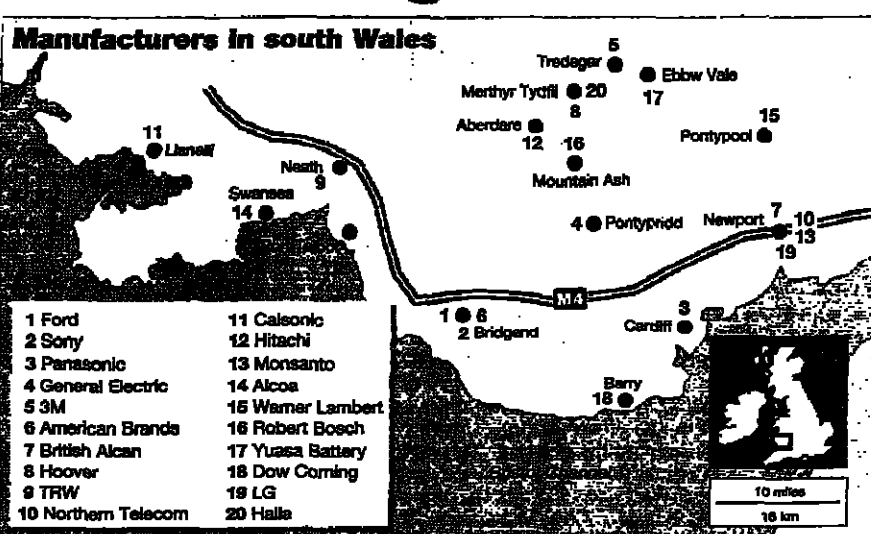
By Roland Adburnham in Cardiff

A government strategy to stimulate job creation in the disadvantaged areas of west Wales and the south Wales valleys will be announced today.

Mr Peter Hain, a minister in the government's Welsh Office, is to promote "industrial villages" with companies using information technology to overcome the drawbacks of relatively remote geographical location.

His announcement will coincide with the expected news today of a joint venture to establish in one of the valleys a components supplier park for the automotive industry.

Most of the inward investment in south Wales has concentrated on the M4 motorway corridor. Most factories established in south Wales by US, German and



Japanese companies has been within easy reach of the M4.

It has proved much more difficult to attract companies northwards into the old industrial valleys or to west

Wales. But Mr Hain hopes that the creation of "industrial villages" would encourage smaller companies to set up in the valleys to act as sourcing centres for larger manufacturers near the

motorway. He believes the proposed villages could offer companies the traditional skills of the mainly ex-mining communities together with affordable sites and high technology.

A stimulus for the strategy is the £1.7bn (\$2.8bn) project in Newport by LG, the South Korean electronics group. This will create 6,100 direct jobs and, it is estimated, about twice that number among suppliers. "LG could lead the way towards regenerating the south-west of Wales as well as the valleys," Mr Hain said yesterday.

Despite the "Valleys Initiative" launched by the Thatcher government in 1988, these areas continue to have pockets of high unemployment and low levels of economic activity.

"The Valleys Initiative was very effective at making the valleys greener, but left them as virtual job deserts, especially in the western valleys," Mr Hain said.

In some communities, one in three men were out of a job, leading to social stress with high levels of crime and drug abuse.

Blair is warned over choices for top jobs

Mr Tony Blair, the prime minister, has been cautioned by Sir Michael Bett, the watchdog responsible for the integrity of the government machine, against putting any more political appointees into top administrative posts, George Parker writes.

Sir Michael agreed to political appointments to three new jobs in

his official residence in Downing Street, but said that further such moves should be debated and approved by parliament.

"If a horde of political appointees were made civil servants, they would not be appointed on the principle of fair and open competition," Sir Michael said. His comments reflect growing concern among

senior officials about the increasing number of political appointees being assigned to government departments as special advisers.

Mr Jonathan Baume, general secretary of the FDA trade union for senior government officials, said: "We are worried this is becoming a way of bypassing the rules on fair and open competition by bringing in

placements to service the government."

Questions are being raised about whether Mr Blair should be allowed to appoint Mr Jonathan Powell, his political chief of staff, as principal private secretary. Mr Powell, a distinguished diplomat, became chief of staff to Mr Blair, then opposition leader, three years ago.



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Recent Transactions

<p>Del Monte Foods International Limited</p> <p>Private Placement Senior Notes due 2006</p> <p>October 3, 1996</p>	<p>PEARLE VISION</p> <p>a division of</p> <p>Grand Metropolitan plc</p> <p>has been acquired by</p> <p>Cole National Corp.</p> <p>October 24, 1996</p>	<p>ProSource</p> <p>Initial Public Offering</p> <p>November 11, 1996</p>
<p>Unilever</p> <p>has sold</p> <p>Mrs. Butterworth's Syrup and Pancake Mix business to</p> <p>Dartford Partnership and McCown De Leeuw & Co.</p> <p>December 31, 1996</p>	<p>SCOTSMAN INDUSTRIES</p> <p>has acquired</p> <p>Kysor Industrial Corp.</p> <p>March 13, 1997</p>	<p>Geneba</p> <p>a subsidiary of</p> <p>Goodman Fielder</p> <p>has been acquired by</p> <p>CVC Capital Partners B.V.</p> <p>April 11, 1997</p>
<p>Del Monte Corp.</p> <p>has been acquired by</p> <p>Texas Pacific Group</p> <p>April 13, 1997</p>	<p>Foodbrands America</p> <p>has been acquired by</p> <p>IBP Inc.</p> <p>April 28, 1997</p>	<p>TRIARC Triarc Companies Inc.</p> <p>has acquired</p> <p>Snapple Beverages</p> <p>a subsidiary of</p> <p>Quaker Oats Co.</p> <p>May 22, 1997</p>

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President Clinton (left) and Tony Blair met in the White Room at the prime minister's residence in Downing Street

Only three groups are on cue for electricity market

By Simon Holberton in London

Just three electricity companies will be ready for retail competition next April and full market opening may not be achieved until March 1999, it emerged yesterday.

Professor Stephen Littlechild, director general of the Office of Electricity Regulation (Ofreg), released details of the state of readiness of Britain's 14 electricity companies for deregulation. He also outlined penalties for laggards and new proposals for the phasing of competition from 1998.

His announcement represents a further retreat from plans presented as long ago

as 1990 for Britain's 25m household consumers to have the choice of electricity supplier by April 1998.

It follows a statement by Mr John Battle, energy minister, on Wednesday underlining government feeling that consumers required "reliable and robust" arrangements for competition. Professor Littlechild said he was not "downbeat or disappointed" that only three companies would be ready for competition by April. "One has to recognise the immensity of this task."

Competition in electricity is a large exercise in information technology and the Ofreg chief indicated sources of delay lay with the "vague-

ness" of computer systems. Eastern Electricity, Seaboard and Yorkshire Electricity were the companies Ofreg was confident would be ready for competition. Their computer systems will be ready for six months of trials beginning in October.

The remaining 11 companies would become ready for competition between May and July next year. They also would face six months of tests, followed by a controlled market opening of a further six months.

Penalties for laggards will include their not being allowed to compete outside their franchise area till others can in theirs.

Australian media group may help to build cinema complex on bank of river Thames

Warner venture set to win London site

By Scheherazade Daneshkhu and Alice Rawsthorn

Warner Village, the multi-screen cinema operator, is expected to be the first large tenant on the £500m (£815m) Battersea Power Station development site by the river Thames in London. The long struggle to turn the landmark building into a leisure and retail complex is reaching an end.

Warner Village is a joint venture between the Warner Bros subsidiary of Time Warner, the US entertainment group, and Village Road-

show, the Australian media concern. It is expected to build a large cinema complex on the top two floors of the power station. It would not comment yesterday.

Another prospective tenant is Lantana, the Los Angeles-based film post-production company, which would use the site as a base from which to service the burgeoning UK film production sector.

Parkview International, the Hong Kong-based property company which owns the power station and 14ha of surrounding land, plans rides, themed leisure areas and a variety of retail and food and

drink outlets in the art deco interior. The monumental brick building has lain derelict for more than 10 years after a series of setbacks. But Parkview has been given the go-ahead to begin work after signing a legal agreement with Wandsworth Borough Council, the local authority responsible for the site, earlier this month.

The agreement requires Parkview to improve public transport to the area by building a rail station and a riverside walk. The first phase of the development is expected to open in 2000.

Plans to turn the power station

into a leisure complex were halted in 1980 after a scheme headed by Mr John Broome, the property developer, went into liquidation.

Parkview, which is owned by the Hwang Brothers of Hong Kong, then acquired the site but received a setback last year after BAA, the airports operator and Really Useful Group, the entertainment company headed by Sir Andrew Lloyd Webber, decided against joining the redevelopment scheme.

Parkview has a single partner in Gordon Group, the US retail property company which owns the Caesar's Forum shopping complex in

Las Vegas. Plans for the surrounding land include two hotels, theatres, film studios and offices. Cirque du Soleil, the Canadian circus group, is understood to be in discussions with Parkview over building one of the theatres.

The Battersea development forms part of an aggressive UK expansion strategy for Warner Village, which is already one of the UK's largest cinema chains. It plans to open 23 new multiplexes and megaplexes by the end of the decade, including the country's biggest single cinema in the English Midlands city of Birmingham.

Watchdog in waiting for new Lloyd's

Reforms likely to see market face independent regulation

The Labour government's reforms of regulation in the City of London are likely to bring the Lloyd's of London insurance market under the aegis of an independent watchdog. It is two years since the Treasury published a damning assessment of how Lloyd's has been regulated in the past. The report blamed an inadequate self-regulatory regime for the problems which drove the market almost to collapse and ruined many Names, the individuals whose assets had backed it.

"Part of the problem at Lloyd's was that a 20th century insurance market was still regulated and run upon the lines of a private club, in which difficulties were hushed up and solved behind closed doors," the report said. "A rigorous system of market regulation, requiring better standards of professionalism, would surely have helped."

Lloyd's has looked after its own for 25 years. It is governed by a ruling council which has legislative powers to discipline underwriters and compensate Names

should dishonestly or fraudulently bankrupt the companies run by market professionals.

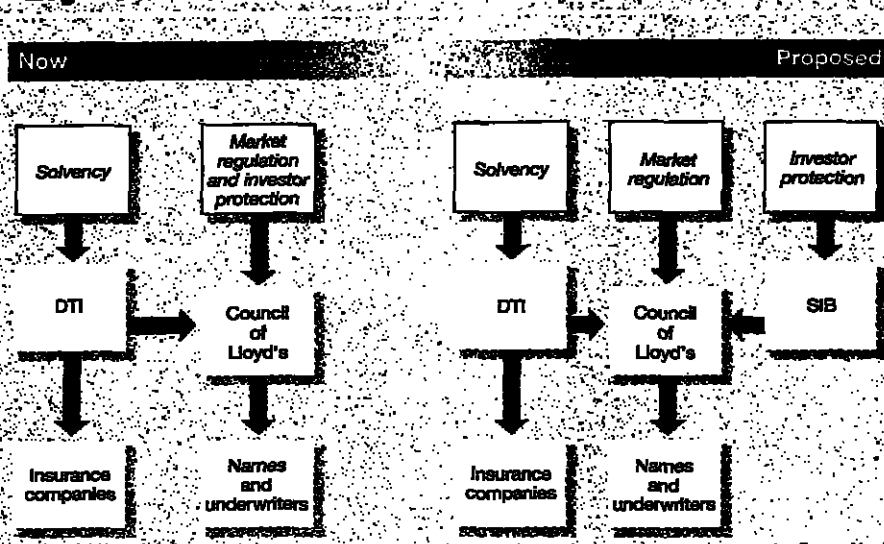
However, when becoming a Name suddenly became fashionable amid an explosion in insurance rates during the 1980s, Lloyd's failed to check rigorously the personal wealth of new members.

It also allowed negligent underwriting to flourish. Some syndicates at Lloyd's wrote too much re-insurance for natural catastrophes, which meant liabilities from a string of disasters in the late 1980s and early 1990s went out of control.

Since then, Lloyd's has managed to rid itself of those liabilities by reinsuring them into Equitas. But a recommendation made in the Treasury report that Lloyd's should no longer regulate its own affairs has stuck.

Earlier this month, Lloyd's put forward plans for it to be overseen by the Securities and Investments Board, the City of London's chief watchdog organisation. It also suggested that the government's Department of Trade and Industry

Lloyd's future structure



'Part of the problem was that the market was still run like a private club'

should be able to act at an earlier stage than at present if there were again a threat to Lloyd's solvency.

The proposals were published before Mr Gordon Brown, the chancellor of the exchequer, announced that the SIB would take responsibility for financial services regulation and would be answerable to the Treasury. Lloyd's argues it would fit neatly into the SIB's new structure. The chancellor did not mention Lloyd's in

his speech, but the Treasury says it "sees some attractions" in the insurance market's proposals.

"There's a strong case that Lloyd's should be regarded as an insurance exchange," says Mr David Gittings, director of regulation at Lloyd's. "While the Names are sole traders and not investors, there are some similarities in the role the SIB would play and what it already does elsewhere."

Underwriters at the market are cautious while it remains unclear if responsibility for insurance will shift from the DTI to the Treasury, as the government hinted last week. Some fear the SIB may not have the experience to do the whole job.

"An expert in underwriting should regulate underwriting and an expert in

investor protection should do that," said one.

How easy it will be to split the two roles as Lloyd's envisages them is also uncertain.

"There are some overlap problems since both the DTI and the SIB will have some common interests," says Mr Gittings.

One instance is that the competence of professionals affects both Names and the solvency of Lloyd's.

Lloyd's has already taken steps to meet some of the other recommendations contained in the Treasury report of two years ago. It is considering, for example, how to reintroduce professional indemnity insurance covering professionals against the risk of major loss arising from clerical errors.

Christopher Adams

\$33m gift to Oxford Islamic centre

By Richard Wolfe and Simon Targett

Oxford University is expected to receive up to £40m (£65.2m) to fund its new centre for Islamic studies after King Fahd of Saudi Arabia personally pledged £20m (£32.6m) towards the construction of a new centre.

The Saudi donation was announced by Prince Bandar bin Sultan, the Saudi ambassador to the US, at a private dinner with the Prince of Wales on Wednesday. Sources close to the project say the donation is likely to be matched by other wealthy individuals, particularly to endow teaching positions at the centre.

King Fahd's donation represents one of the largest single gifts in Oxford's history, and a concerted effort to establish Islamic studies at the heart of the British education system.

The ambitious project has run into determined opposition from teachers at the university who object to plans to locate the new centre on a greenfield site near the heart of the city.

Dr Robert Gasser, bursar [senior manager] at the university's Brasenose College, said: "There is no question of having anything against Islamic studies whatsoever. This is essentially a semi-rural area and such a large building - although very handsome and dignified - is an overdevelopment."

The row echoes the controversy over the £40m plans to build a new business school in Oxford, which is half-funded by the Saudi entrepreneur Mr Wafic Said. The university's original plans, on a greenfield site in the same area as the Islamic centre, were decisively rejected by teachers earlier this year. A new business school site is expected to be announced today.

Minister warns lottery on 'profiteering'

By Raymond Snoddy in London

Mr Chris Smith, the chief minister responsible for the National Lottery, warned yesterday that it was intended for prize winners and good causes and not for "profiteering".

The angry comments came after publication of the financial results of Camelot, the consortium which runs the lottery. The members of Camelot are Cadbury Schweppes, the UK food

and drink group; De La Rue, the security printers; Rascal Electronics; ICL, a UK offshoot of Fujitsu; and GTEch, the US lottery equipment supplier. The results showed that total payments to the 10 executive and non-executive directors for the year to the end of March 1997 had risen by 40 per cent to £2.35m (£3.5m).

The results also made clear that Camelot has applied to the Office of the National Lottery, the game's reg-

ulator, for permission to launch a television game show designed to boost the sales of *Instant*s - a scratchcard game - which have fallen from £40m a week to around £15m a week. The show, to be launched on BBC television at the end of the year, will allow scratchcard winners to compete for bigger prizes.

Mr Smith has called Sir George Russell, the Camelot chairman, to a meeting to account for the increased

payments to executives. The meeting is expected to take place on Monday. Mr Smith said on BBC radio yesterday that he planned to warn Camelot it could put itself out of the running for a renewal of the present National Lottery contract, which ends in 2001.

Camelot will next week robustly defend its position as not just the largest lottery in the world but also the most efficient, according to an independent study.

'Pocket superpower' under fire

The defence review is a strategic labyrinth, Bernard Gray writes

The government's defence study, announced on Wednesday, will be the first examination of the defence ministry to bear the formal title "Defence Review" since the ill-fated effort by the Conservative government of Margaret Thatcher in 1981.

That review recommended the near-scrapping of the Royal Navy's surface fleet just months before Argentina invaded the Falkland Islands. Not surprisingly, the review paper was dumped.

The architects of the new review will face equally difficult questions. The Labour party has chosen to tackle the issue head-on. As the main opposition party before the May 1 general election, it argued that the Conservative tactic of spreading the ministry's budget ever more thinly across a full range of military capabilities led to insufficient strength in depth in key areas. But holding the review will force the new government to face the difficult choices which it suspects the Conservatives shirked.

In recent years, the defence ministry has pursued a policy of acting as a "pocket superpower", maintaining the capability of conducting almost every kind of military operation. The logic of this position is that having such a wide spread of forces gives Britain flexibility to deal with whatever turns up - provided it is reasonably small. Besides, the argument goes, in any larger conflict, the UK would almost certainly be fighting in alliance with the US. As a



Mr George Robertson, chief defence minister (centre), yesterday heard complaints from Gulf War veterans that they had suffered mysterious illnesses since the conflict. Mr John Reid, armed forces minister, said: "I will leave no stone unturned in order to get to the truth."

department desperate to preserve Britain's "special relationship" with the US, it suits the ministry to be able to add a small British contingent to whatever type of force the US fields.

Unfortunately, as the ministry's budget has shrunk and the cost of troops and equipment has continued to grow, the cracks have begun to show in the armour of the "pocket superpower". In Bosnia, for example, some specialist troops have found themselves on deployment far more frequently than the ministry's rules decree.

The UK also found it difficult to field an operational tank brigade during the Gulf war. Since then, the Royal Air Force has been hard pressed to keep sufficient aircraft in the sky to meet

its Bosnian, Middle Eastern and UK commitments. This led some Labour defence analysts in opposition to the conclusion that one large defence task would have to be sacrificed to bolster the remainder of the forces. So, while the new review will start by assembling a strategic view of the UK's place in the world and the forces needed to maintain it, the crunch will come if the government sticks to the view that something has to give.

At the top of the vulnerable list is the heavily armoured division of 24,000 troops stationed in western Germany. Once central and eastern Europe become the source of new Nato members, these forces are likely to find

themselves a long way from any front line.

Equally, some of the navy's surface ships could go. Britain has a permanent presence around the Falklands, and in the Caribbean and the Gulf. With back-up, this accounts for almost 10 of the Navy's 35 escort ships, all of which could be axed if tensions were reduced or the priorities changed. Euro-fighter, at present exempt from the review, could be included if Germany continues to block funding for the four-nation programme.

Amphibious landing forces, untouched since the Falklands conflict 15 years ago, could be a target, as could the Navy's extremely expensive nuclear hunter-killer submarines or its hoped-for next generation of aircraft carriers.

Significantly, in its own defence review last week, the US shifted towards spending on "tomorrow's battlefields" and away from maintaining troop levels or weapons procurement. If the UK wants to keep up with its closest ally, it may have to invest heavily in technologies such as surveillance equipment, command and control computing and precision weapons for the "digital battlefield". Yet the UK may not be able to afford that investment alone, thereby increasing its dependence on US technologies and decreasing its capacity for independent action.

UK NEWS DIGEST

Empire 'poses tax burden'

Britain's shrinking empire - to shrink further when Hong Kong is handed over to China at midnight on June 30 - represents a significant potential burden to the UK taxpayer, according to a report released today from the National Audit Office.

The report on Foreign Office efforts to reduce the risk of unexpected charges to the UK government said that the country "remains exposed, especially from financial sector failures, corruption, drug trafficking, money laundering, migrant pressure and natural disasters".

When Hong Kong's 6.2m people become Chinese, some 180,000 people will remain in 14 separate territories. The largest remaining in terms of population will be Bermuda, in the North Atlantic, with just over 60,000 people. The Cayman Islands, one of five Caribbean dependencies, has 32,000 people and Gibraltar 28,000.

Since 1990-91, British aid to the territories has amounted to £153m (£249.9m). However, the so-called contingent liabilities are significant. Even when Britain pulls out of Hong Kong, a liability of £130m for the pensions of public officials there will remain. The threat from drug traffickers to the Caribbean territories remained one of the most serious problems, the report said.

Stephen Fidler, London

SECURITIES AUTHORITY

Investment firm fined \$105,000

Quilter & Co, the London private client investment manager and stockbroker, has been fined \$65,000 (£105,960) by the Securities and Futures Authority for control failures in its dividend department and back office. The fine follows the discovery of accounting problems in 1992-95, including the failure to bank dividend payments, which lost Quilter £38,000 and led to the conviction of a probationer employee for false accounting.

Quilter could have faced a larger fine, but the SFA took into account the disruption to its business from the 1992 bomb in London, which devastated its offices and forced it to move twice in a matter of weeks. A Quilter official said no clients or counterparties were affected in any way by the problems.

George Graham, London

CANADA LIFE MANAGEMENT

Company breached Imro rules

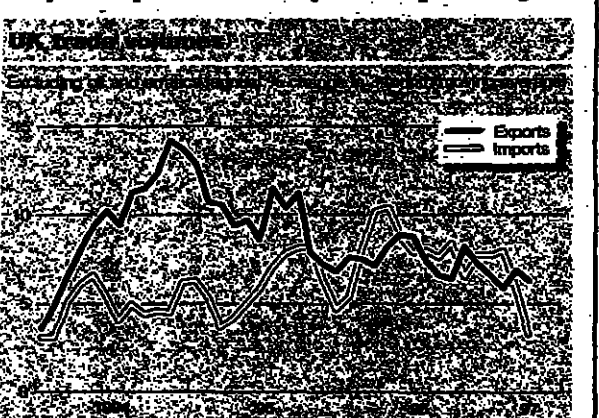
Imro, the fund management regulator, yesterday announced that it had fined Canada Life Management £50,000 (£81,500) for breaching several of its rules. Between March 1995 and June 1996, Imro found that the company failed to invest Fep and unit trust customers' money on time, incorrectly priced seven unit trusts and failed to bank client money on time. The company has paid compensation of £37,965 to 901 unit holders and paid another £18,943 into the unit trusts. It has also agreed to pay Imro's costs of £23,392.

William Lewis, London

EXPORT TRADE

European rivals outperformed

UK exporters have continued to outperform their European rivals this year in spite of being handicapped by the continuing high exchange rate of sterling. Since August last year the pound has risen by about 20 per cent against



the D-Mark and the French franc. The UK Office for National Statistics said yesterday that the country's trade deficit in March with the rest of the European Union appeared to a negligible £20m (£32.6m) after a £290m deficit in February. The value of imports from EU countries during March fell by 2.6 per cent, while UK exports to EU member states rose by 1 per cent. Despite the pound's high level, the ONS reported that exports to Germany and the Netherlands were higher in the first quarter of this year.

"The UK's world trade deficit in March was also better than even the most optimistic forecasts," the ONS said. The total deficit was £671m, well down on February's total of £758m. Most analysts had predicted a deficit of about £900m.

Richard Adams, London

SPORTING INVESTMENT

Harrods boss takes over soccer club

Mr Mohammed Fayed, owner of the Harrods store in London, yesterday became chairman and the biggest shareholder of Fulham soccer club in the capital. He said he would invest heavily in the 118-year-old club and restore it "to its former glory".

The takeover follows the resignation of Jimmy Hill as chairman last week, when he said he would welcome a successor with a financial muscle to make the necessary ground improvement.

The new chairman's first step will be to buy the ground's freehold for £7.5m (£12.2m) from Bank of Scotland. Then the club's new parent, the Al Fayed-owned Fulham Leisure Holdings, will plan the redevelopment of the Craven Cottage stadium.

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Temporary contracts may be the answer for some executives, says Richard Donkin

Managers reap an interim dividend

In the world of mergers, one thing is clear: two into one does not go, especially at senior management level. And if the scale of recent mergers tells us anything, it is that management clear-outs are going to continue.

The future may appear bleak to someone who has just lost a job, but this need not be the case if people can adjust to working on temporary contracts.

Skilled managers are likely to be in demand from companies seeking to buy temporary expertise. This market for so-called interim managers has grown markedly in the past 10 years to the stage that it is now worth something like £400m (\$650m) a year in the UK, according to Russam GMS, a consultancy specialising in interim management.

Its latest report, which surveyed some 700 people, estimates that some 10,000 senior executives are now operating as interim managers and independent consultants in the UK. And for many, it is well-paid work. The top 15 per cent of interim managers are earning, on average, more than £75,000 a year. Average earn-

ings for temporary executives were £47,000 last year, with a forecast of £51,000 in 1997.

The biggest earnings are achieved by executives working in information technology, who are grossing £56,000 a year on average. Production executives earn the least on average, making £43,000 a year.

Interim management is one of those jobs where grey hair may be an asset: 60 per cent of those surveyed were aged between 45 and 55, while 38 per cent were between 43 and 53. And most are men, with women making up less than 5 per cent of the total. According to the research, two-fifths took up interim management after being made redundant, but nearly a third of them say they do not want to go back into a permanent job.

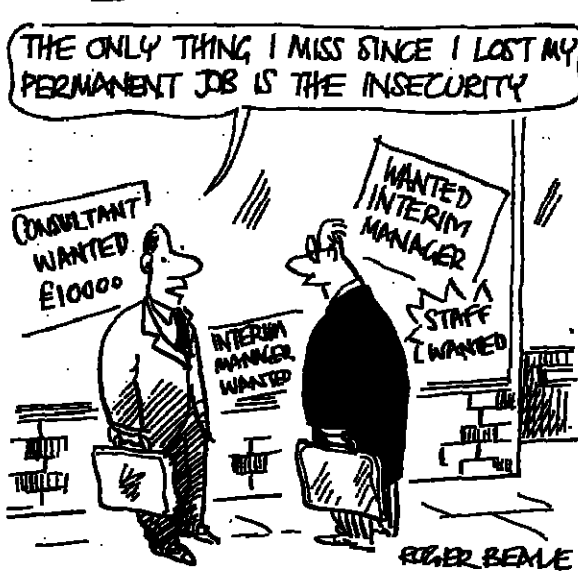
Only one in 10 said they were actively looking for a full-time job. The rest said they were not desperate to

find full-time work, but that they could be persuaded. *GMS Market Research Report. Russam GMS, 43 High Street North, Dunstable, Bedfordshire LU6 1LA, UK. +44 1582 666970, 229.*

All change

According to the Industrial Society, 94 per cent of employers in the UK had been through or were going through some kind of culture change. It seemed surprising: it should not be. Advances in information technology and the influence of business process re-engineering have forced companies to adapt their structures.

But people do not like change. The society found that no more than 9 per cent of employees wanted to change the way they worked. If anything, this figure looks quite high. So who are these employees who are eager to embrace change?



We know who is not keen on change. Long-serving staff are the most resistant, as is management, according to more than a third of the replies.

Unions, however, often

perceived as the enemy of change, are now no longer a significant source of resistance, listed by just 9 per cent of those surveyed.

This too should not be surprising, according to a study

by Narciso Menezes-Filho, a researcher at University College, London, published in the latest edition of the *Economic Journal*.

Menezes-Filho suggests that anti-union legislation has made unions less confident of their members' willingness to take industrial action.

Whether or not corporate transformation is for the best, it is to be happening everywhere. Archie Norman, the chairman of Asda, the UK supermarket group, engineered a radical change programme after his arrival in 1991. He told delegates at a conference on culture change last week that the turnaround in Asda's fortunes was not achieved without hard-nosed cost-cutting at the start of his tenure.

This was followed by a series of employee-focused measures, including a move away from temporary working, broadening employee share ownership, and

rewarding employee ideas and initiative.

Even Norman, however, admits that changing the employee culture is one of the most difficult objectives to achieve. For example, he tried to get security staff to double up as greeters, an idea he drew from Wal-Mart in the US. So far, he confesses, the idea has met with limited success.

The answer may be to recruit people who can influence their new colleagues. A simple "hello" should be possible.

Wasted hours

How much time at work is wasted? The answer, according to British Telecommunications, is £47bn-worth (\$76.6bn) a year. This figure was arrived at after some 300 directors and managers were asked to keep diaries of their time in work, which revealed that they "lost" about a quarter of their aver-

age working week of 56 hours, equivalent to about £7,000-worth over a year.

But where does the time go? According to the report, time-wasting activities include inputting documents, unnecessary staff matters, daydreaming and taking messages.

However, this says more about the attitudes of management. Many consultants helping businesses to increase their capacity to innovate actually encourage managers to find more time to daydream, as this is often the way that ideas are born.

The most successful attempts at empowering workers have given people the freedom to make their own decisions, which in turn has altered staff relations for many middle managers. This makes their job much more than that of an administrator or, in some circumstances, coach or enabler.

Much of the wasted time, as the report suggests, may arise from managers working longer hours because they cannot let go of old habits. It seems ironic that the report finds so much time is wasted when managers are also complaining they are overworked.

BANKING FINANCE & GENERAL APPOINTMENTS

EQUITY RESEARCH

LONDON

As a result of an internal promotion an opportunity has arisen within the Equities Division of a leading UK based global investment bank for a research accountant.

The division produces comprehensive UK and European industry sector and strategic research, enjoying lead ranking across a range of sectors.

This key individual will make a significant contribution to the design, development and implementation of the European research database. This will involve extensive liaison between the research department and the IT team.

Excellent interpersonal skills and the ability to explain accounting issues are necessary.

ACCOUNTANTS WITH DRIVE AND AMBITION

The candidate must be prepared to acquire or have knowledge of European accounting practices.

The individual will also assist in:

- the provision of advice on accounting/valuation issues
- the writing of accounting/valuation research
- special projects with an accounting requirement
- the development of accounting training programmes

The successful candidate is likely to be a newly/recently qualified accountant with an excellent academic record. Candidates will be IT conversant and have an

interest in, and understanding of, historic and current accounting issues. Keeping abreast of accounting issues will be a prerequisite.

For the successful candidate there will be exceptional opportunities to enter various areas within Investment Banking.

Interested candidates should contact Jason Garner or Lisa Walsh at Robert Walters Associates by sending a detailed CV stating current remuneration to 10 Bedford Street, London WC2E 9BE. Telephone 0171 379 3333 or fax details on 0171 915 8714. Email: jason.garner@robertwalters.com

Replies must be received by Monday 9th June.

ROBERT WALTERS ASSOCIATES



LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

Product Risk Manager - Risk Management Group

J.P. Morgan Investment Management Inc. in London is the international investment arm of J.P. Morgan & Co. Incorporated. With \$215 billion under management worldwide, it is one of the premier investment management houses in the world. These assets are managed in a wide range of funds, domiciled globally, which invest in various financial instruments including US and international equities, bonds, money markets and derivative instruments.

The Risk Management and Control group is a recently established function, combining a number of responsibilities previously performed by other groups in the organisation. The group's tasks include: product risk evaluation and monitoring, derivatives oversight, control awareness, audit liaison and control infrastructure reporting. The Product Risk Manager will report directly to the Head of Risk Management and Control for Europe, and will cover the following core areas:

- monitoring all product risk, including derivatives
- participation in new product approval process, with specific responsibility for risk

- interfacing with other global risk management groups and product committees to define and develop the approach for monitoring portfolio risks

The ideal candidate will be educated to degree level and will possess these capabilities:

- a minimum of four years investment management/banking experience
- excellent product knowledge, particularly of derivatives
- understanding of quantitative models and techniques
- excellent communication and negotiation skills
- a strong team player with proven team management skills

The position offers a generous salary plus banking benefits and excellent career prospects.

J.P. Morgan Investment Management Inc. is an equal opportunity employer.

If you have the necessary prerequisites please contact Colin Gibb on 0171-379 3333 at Robert Walters Associates or send a detailed curriculum vitae stating current remuneration to 10 Bedford Street, London WC2E 9BE or fax details for his attention to 0171 915 8714 or Email: colin.gibb@robertwalters.com.

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JPMorgan



Raab Karcher Energy Services, a part of the Raab Karcher and Veba-group, is the European market leader in the area of consumption related registration and billing of water and heat. With technologically advanced products and professional services we contribute to the conservation of valuable natural resources. Inside our international headquarters in Essen, Germany, we develop high quality products and systems.

International Management Consultant in Germany

Business Field: Energy Supply and Utility

Today you are employed by an international consulting company, an energy supply or utility company. As a business consultant you support your clients in the realisation of change processes, in business process redesign, the implementation of business software and the restructuring of complex process oriented organisation models. You have consulting experience within an energy supply or utility company.

Raab Karcher Energy Services gives you the opportunity to realise your experiences in national and international projects. You prepare for the entry of our company in the new business field of „metering“, you design the required processes and systems and adapt our structures to the new

requirements. Later on you will advise our management in Europe and the USA, in the future also in Asia and South America.

We are looking to contact young consultants of international consulting companies and internal consultants of international companies, who want the opportunity to realise the next step in their career.

Fluent English, German and knowledge of another foreign language is necessary. You must have a strong understanding of regional cultures, good presentation skills and a solid methodical know-how to be successful in our company.

We are looking forward to meeting you!

Raab Karcher Energy Services GmbH
Human Resources Management
Ralf Albers
Rudolf-von-Berningen-Forster-Platz 3
D-45131, Essen
Germany
http://www.rkes.com

Credit, Risk & Research

Outstanding opportunities exist for degree/MBA qualified Financial Analysts for the following roles within prestigious investment banks.

Senior Analyst

To evaluate credit implications of derivative transactions throughout EMEA and to provide ratings advisory for East or West European banks and regional Governments. A second language is essential.

Senior Risk Analyst

Circa five years experience of assessing transaction risk, risk modelling, new products and developing trading exposure reporting. Experience of derivative products plus strong mathematics essential.

Vice President - Senior Analyst

Intellectual, self-motivated local Government/banks analyst required to be responsible for a portfolio of East European/Russian regional Governments and West European banks. Fluency in a major European language is essential.

Senior and Junior Counterparty Credit Manager and Analysts

Required for credit sensitive business originating from EMEA territories including counterparty analysis for first, second and third generation derivative risk using VAR model and negotiation of documentation.

Counterparty Analysts

One to two years experience of establishing/monitoring credit lines for treasury and capital markets dealers/traders. Counterparties include corporates, NBFIs and sovereigns.

For excellent candidates, top packages will be structured. Please forward your CV in strictest confidence to Ron Bradley, Managing Director at the address below.

JONATHAN WREN

Jonathan Wren Search & Selection Limited
34 London Wall, London EC2M 5RU
Telephone 0171 588 0828 Facsimile 0171 588 0830

SEARCH & SELECTION

Equities

Emerging Markets

NatWest Markets is one of the world's leading integrated investment banks. Its global equities division, NatWest Securities, is rated as the top broking firm in the UK, and is an established player in the Emerging European markets. We are committed to developing and expanding our activities in this region, which is of strategic importance to the bank.

To support this expansion, three new positions have been created to join the existing team.

RUSSIAN ANALYST

Moscow Based

We are looking for an experienced equities analyst to provide primary coverage of all Russian non-energy stocks and to support the UK based oil and gas research analyst. An initial period of six months will be spent working in London.

You will be a fluent Russian speaker, preferably a Russian national, with excellent verbal and written communication skills. You will have a minimum of one year's experience in equity markets, ideally with some experience covering Russian stock, and will have an MBA or equivalent business/finance qualification. Ref: 716.

RUSSIAN SALES

London Based

We are looking for an experienced equity sales person who is able to demonstrate the ability to self-start an international research-driven sales operation. Extensive travel is envisaged.

You will be a graduate with a minimum of two years' experience in sales, research, corporate finance or fund management in

Russia. Fluency in English is essential and Russian would be a strong advantage. You will have exceptional team-building, verbal and written communication skills. Ref: 717.

SOUTHERN EUROPEAN ANALYST

London Based

We are looking for an analyst to provide full support to the two analysts covering Turkey and Israel.

You will be a finance/economics graduate with at least two years' experience of equity research with a recognised institution and excellent command of the English language – both verbal and written. Experience and/or language skills in at least one of the markets is essential. Ref: 718.

NatWest Markets is a meritocracy and you will be rewarded competitively based on your performance and contribution to the business.

Please send your CV quoting the appropriate reference, to: Alastair Lyon, The Response Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

NATWEST MARKETS

A Career Without Boundaries

Financial Analyst

GE Capital is one of the world's largest and most successful financial services companies, and is part of the \$79 billion GE Company. With worldwide property assets in excess of \$18 billion our Commercial Real Estate Financing Services provides financing solutions and customised high-value services for commercial real-estate properties. The ability to handle complex transactions quickly and without syndication has led to strong growth in Europe, and this has led to the need to strengthen our team in France.

We now need a Financial Analyst to take a key role at our Paris Headquarters. Your brief will be to develop, apply and manage financial models to value and structure large property portfolio acquisitions and financings internationally. You'll create financial models to generate projected economic returns for a variety of structured finance products. We'll also look to you to improve our operations and enhance competitiveness through the application of new technologies. It's a role that will involve interaction

with internal functions and senior management. To succeed in this high profile position, you'll have a BS or BA degree in Finance, Accounting, Computer Science or Engineering. Alternatively, you will be a Diplôme Grandes Ecoles de Commerce or d'Ingénieurs. Previous work experience in a financial services environment is a plus. Bilingual in French and English, you'll have a well developed aptitude in financial modelling, structuring and analysis. Able to travel globally when needed, you'll have strong presentation skills, be highly motivated, with creative flair and the ability to innovate. A relevant professional qualification would be advantageous. In return for your commitment, we can offer an attractive salary package with strong career prospects within an international market leader.

To apply send your career and current salary details in to Kim Bradley, GE Capital Europe, Commercial Real Estate, 19, avenue de la République, 75001 PARIS - France.

GE is an equal opportunity employer.
* Not connected with the English company of a similar name.



GE Capital Europe
Commercial Real Estate

Leading Global Bank

Team Head, Investment Banking

City

Our client is a long established international bank offering a full range of investment banking, treasury and commercial banking products. An exciting opportunity now exists for a highly qualified and talented individual to manage a group of Associates in a marketing/origination capacity. Working closely with senior investment bankers on global client relationships, the appointee will:

- drive the identification and development of new business with key international clients;
- lead a sizeable group of Associates and direct work flow;
- ensure continued development of the team, both collectively and individually;
- develop corporate finance, debt/equity finance and structured finance solutions to service clients' needs on a pan-European basis.

To £100,000 + Bonus + Benefits

Candidates should be in their late twenties to mid thirties, probably with a financial or MBA qualification. Previous investment banking experience should be combined with management ability, a strong commercial sense and high levels of drive and energy. Other attributes will include first class presentation and communication skills and the ability to work effectively at senior management level. Fluency in other European languages would be an advantage but is not essential.

Applications from less experienced individuals will be considered for Associate level positions within the team.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 713j on both letter and envelope, and including details of current remuneration.



SEARCH & SELECTION
86 JERMYN STREET, LONDON SW1Y 6JD. TEL: 0171 468 3800
A GKRS Group Company

HSBC Markets



HSBC Markets is seeking three qualified candidates to join its highly successful Global Structured Finance Group. The Tokyo team, with responsibility for origination, structuring and executing Asian based transactions is looking to build on its recent widely publicized successes. If you are currently working for a major international investment bank and are looking to join a global team of experienced professional responsible for managing the entire transaction instead of simply "sales" or "origination" we are interested in meeting with you.

The three successful candidates will be able to demonstrate the following:

Senior Transactor

- Extensive experience in originating, negotiating and closing structured transactions which may draw on your background in capital market products and derivatives;
- A track record showing your capability to generate fee income in line with the value you have contributed to client driven, cross border transactions;
- Strong relationships with issuers and/or investors.

Junior Transactor

- Strong understanding of structured finance and asset securitization transactions;
- Numerate with good analytical and computer skills;
- Minimum of three years experience in international finance or investment banking.

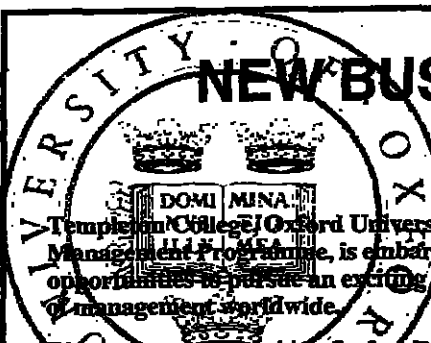
Team Assistant

- Strong command of both spoken and written English;
- Efficiency in computer (MS Office applications) and organizational skills;
- Work experience in foreign bank or securities firm preferred.

For each of the above positions, a high degree of emphasis is placed on self-starters with excellent presentation and interpersonal skills. International experience, particularly in Asia, would be an advantage. Each position offers significant scope for personal development and advancement. Salaries and benefits shall be competitive and commensurate with experience.

Interested parties should contact Human Resources Department at HSBC James Capel Japan Limited, Tokyo Branch, Kyobashi Ichome Building, 13-1, Kyobashi 1-chome, Chuo-ku, Tokyo 〒104 Tel: (03) 5203-3747

NEW BUSINESS FELLOWSHIPS AT OXFORD



Templeton College, Oxford University's newest graduate college and home of the Oxford Advanced Management Programme, is embarked on a period of rapid and successful growth. Faculty enjoy opportunities to pursue an exciting mix of high quality research and dialogue with the most senior levels of management worldwide.

We are currently recruiting for four Fellowships:

BUSINESS POLICY/STRATEGIC MANAGEMENT

Specialists should include changes in the global business environment, industry structures and the dynamics of competition, and consequent new imperatives for corporate strategy and the pursuit of competitive advantage.

STRATEGIC MARKETING

We are seeking faculty with extensive knowledge of marketing principles and practices but with particular specialisms in international and service sector marketing.

LEADERSHIP & ORGANISATIONAL TRANSFORMATION

Candidates should have the ability to relate individual and group behaviour to corporate strategy, and the skills and experience to teach and operate at the highest executive levels.

OPERATIONS & SERVICE MANAGEMENT

Candidates should have broad and detailed knowledge of effective operations management and its contribution to customer service and the creation of strategic competitive advantage.

We are looking for faculty with established academic reputations and the proven competence and confidence to respond to the challenges of teaching both senior international executives and high calibre Oxford graduate students.

An exciting and flexible remuneration package is available for outstanding candidates. For further information, please contact: Dr. John Templeton, Templeton College, Oxford University, 14, (01865) 444444. Fax: (01865) 444444. Email: jtempleton@templeton.ox.ac.uk

Leading Italian Company with Major International Operations

seeks

GENERAL COUNSEL

for

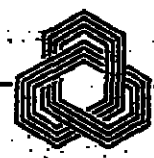
International Operations

Experienced in Joint Ventures, International Securities, Project Financing and Corporate Compliance

To be based in Italy with responsibility for a team of 10 Legal Personnel

Salary and benefits above market. Knowledge of Italian and other European Languages preferred.

Please reply enclosing CV and covering letter to Box Number 97/272, Blei SpA, Via Degli Arcimboldi 5, 20123, Milano, Italy



APICORP

الشركة العربية للاستثمارات البترولية

ARAB PETROLEUM INVESTMENTS CORPORATION

APICORP is an inter-Arab Corporation established by the member states of OPEC to finance and invest in petroleum sector projects. Total assets are approximately U.S.\$1,350 million.

The Corporation, based in Al-Khobar, Saudi Arabia, now wishes to appoint to its Project & Trade Finance Group:

Project and Trade Finance Officers

with experience, in particular, of:

- Project and/or Trade Financing Structures.
- Medium Term Credit Documentation.
- Syndicated Lending.
- Relevant internal reports and memoranda.

Candidates, who are likely to be in their early 30's, are expected to be ambitious graduates, well trained in credit analysis and with appropriate P.C. skills. They should possess a thorough knowledge of spoken and written English. Whilst Arabic is not essential, it is an added advantage. A knowledge of French will be similarly appreciated.

Candidates should already be working in an international banking environment or, alternatively, in the finance department of an international petroleum company.

The successful candidates will work together with highly qualified and experienced colleagues of different nationalities. They will be offered exciting and rewarding opportunities to acquire an in-depth knowledge of financing of the petroleum sector throughout the Arab world.

Each appointment will be for an initial 2 year contract, renewable. In addition to the highly competitive tax free salary, there is a comprehensive benefits package which includes free fully-furnished accommodation, transportation and education allowances, medicare, relocation expenses and a contributory pension scheme.

Applications in the strictest confidence may be sent to:

The Administration & Human Resources Manager
Arab Petroleum Investments Corporation, P.O. Box 448,
Dhahran Airport 31932, Saudi Arabia

WANTED

HIGHLY PROFESSIONAL, ADVENTUROUS BOND/SWAPS MARKET SPECIALISTS FOR EXCITING OPPORTUNITY IN ASIA

We are a highly successful brokerage operation dealing in a wide of multi-currency debt instruments. Our particular focus is in the higher yielding "value" sectors of the market and our products range includes illiquid eurobonds and MTN's, asset/wrap packaging, and the marketing of credit derivatives and other structured assets.

Our base is currently Sydney, from where we co-ordinate our marketing effort into all the major financial centres in the Asia Pacific region. We plan to open an office in Singapore in the near future. Our business forms part of an extensive global distribution network, linking closely with our offices in London and New York.

Due to exponential growth of our business we are seeking to add one or two more professionals to the team. The successful candidate(s) will ideally have the following qualities:

- A proven track record in the bond or derivative markets, either in a sales/brokerage or a trading/production management background.
- They would have developed, or feel that they have the capacity to develop, a customer base in one or more of the Asian centres. Proficiency in one or more Asian language would be advantageous.
- Most importantly we require people who have ambition, allied with entrepreneurial flair and the capacity to expand a successful business. This position will attract people who desire to work in a non-bureaucratic environment and are seeking direct control over their professional situation.
- We will also consider applications from graduates in economics and business studies who feel they have the skills and drive to succeed in a challenging business environment.

Remuneration is by way of a competitive salary and unlimited bonus based on performance. Equity may over time be available to an individual who demonstrates an ability to add significantly to the business, both through their strong performance and by further development of our business franchise.

If you feel this is you, then send your resume to Lawrence Harding, Managing Director, CM-ICAP Pty Ltd., PO Box 890, Grosvenor Place Post Office, Sydney 2000.

CM-ICAP

Pty Ltd.

A member of the "INTERCAPITAL" group of companies

COUNTERPARTY CREDIT MANAGER COMPETITIVE PACKAGE - LONDON BASE

The Company is a leading multi-product international bank, with an excellent reputation for success in structured trade finance and credit risk management.

A position has arisen for a Senior Credit Manager, reporting to the Head of Counterparty Credit in Europe. The main tasks include the supervision of a team of account and credit managers encompassing the European market from both the trading Debt and Equity perspective.

The ideal candidate will have 3-5 years proven experience of supervising a team of credit specialists, will have a strong background in generalist financial market trading, and knowledge and experience of credit analysis and counterparty risk limits. It is essential that he/she has worked in a major international banking environment, with a European perspective. A relevant degree qualification and a good working knowledge of French and Spanish is highly desirable.

Candidates interested in applying should write in confidence to PO Box No. A5451 The Financial Times, 1 Southwark Bridge, London SE1 9BZ.

FINANCE DIRECTOR SALES DIRECTOR

Two exciting new positions based in Warsaw

- A rapidly growing Scandinavian real estate company is currently setting up its management structure in Poland. 60,000 sq.m. are under development and 100,000 sq.m. more are being planned. They are looking for confident and assertive individuals with international experience, strong faculty skills, high degree of flexibility, energy and commitment. Benefits accordingly.
- For details and more information call Mr. Lie-Nielsen or Mr. Skjeggstad at: Total Contact Inc. in Oslo. Tel. +47 22 93 39 39 or +47 22 93 39 38 or fax +47 22 93 39 40.

E-mail: bjarne.lien@total.no



Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Toby Finden-Crofts on +44 0171 873 0427

هكذا من القول

Communicate

vb. to exchange
(thoughts) or make known (information or feelings) by
speech, writing or other means.

Investment Communications Executive

German Markets

As the world's largest independent investment management organisation with managed funds in excess of \$520 billion, Fidelity appreciates the value of timely, accurate market information.

Our Investment Communications team is responsible for the effective flow of information between investment specialists and their customers and is currently looking for an experienced analyst or investment journalist to join us as an Investment Communications Executive, primarily to support the German marketing team. Liaising closely with fund managers, you will provide up to date market and sales information, ensuring that all relevant parties are kept fully briefed on the economic and stock market environments.

This is a highly specialised role demanding a degree or equivalent in an economic or business related discipline, together with fluent German

and English. We seek a team player with first class interpersonal skills and outstanding writing abilities in both languages, which should be supported by experience of the equity and bond markets. Exposure to a broking or asset management environment, ideally including knowledge of Microcap, Datastream or Bloomberg, would be particularly advantageous.

The usual combination of attributes we seek will be reflected in the attractive remuneration package and career development opportunities on offer. This role, although based in the UK, will involve some overseas travel.

If you have these skills and more, please write enclosing a full CV and indicating salary details, to Chris Woodman, Fidelity Investments, Oakhill House, 130 Tonbridge Road, Hildenborough, Kent, TN11 9DZ. Fax: 01732 832792.



National Bank of Bahrain



بنك البحرين الوطني

National Bank of Bahrain is the leading commercial bank in Bahrain with assets in excess of US\$ 2 billion and about 550 staff. The Bank now invites applications from suitably qualified and experienced professionals for the position of:

HUMAN RESOURCES SPECIALIST

Major responsibilities

- Review and develop the Bank's Human Resources strategy in line with business objectives.
- Identify training needs and develop and maintain training programmes based on job competencies and business requirement.
- Establish career paths, succession and replacement plans, developing nationals for management and professional jobs.
- Determine current and future manpower needs and recommend appropriate external/internal recruitment to fulfill requirements.
- Develop and conduct in-house training programmes and liaise with local/international training institutions.
- Identify and recruit suitable candidates for official positions.
- Conduct induction and orientation programmes.
- Play the role of culture change agent.
- Coordinate the activities of Business Process Re-engineering initiatives.
- Initiate and participate in job evaluations.

Position requirements

- University Degree in the related field.
- At least 5 years experience in the Human Resources Department of a large bank.
- Hands-on Human Resources Information System development.
- Strong analytical, evaluative and planning skills.
- Excellent communications skills and a high level of proficiency in written and spoken English.

The Bank offers an excellent tax free compensation package with the usual expatriate benefits. Applications in writing only should be forwarded to the following address before 14th June, 1997:

Senior Manager - Personnel Administration
National Bank of Bahrain
P O Box 106, Manama, Bahrain.
Fax: (0973) 205642

Join a fast expanding company in Morocco

A branch of the first French broking firm and a large Moroccan Bank, we are responsible for the primary and secondary markets, and we work for domestic and international institutional customers. To assist us in our development, we are looking for:

4 Financial Analysts

Casablanca - local contract

After 6-8 years in a broking firm, or in a Shares Trading Room of a bank, you have acquired a real know-how in economical and financial studies, on industrial and/or financial securities.

If you wish to settle in Morocco, you will find an opportunity to evolve with us, in a rapidly developing market. Within a small team of analysts, you will work with several issuers, whose evolution you will follow. Thus, you will compile the different data, which will give assistance to our UCITS sellers, negotiators and managers. You will take part in the phases prior to study and analyses of the issuers likely to move into the Stock Market (public offering, privatisations). Finally, you will know how to reply to the needs for information and clarification of the different internal contacts.

It is your technical competence (financial, statistical and economical), your ability to communicate and to obtain information, and of course, your good relational sense that you will rely upon. You should have a good command of English.

Please send us your application (hand-written letter, CV and your current salary level) quoting reference NG/PT to our consultants: Eurogroup Participations, 17 rue Louis Rouquier, 92300 Levallois-Perret, France.



Structured Products up to £70,000

Are you an entrepreneurial spirit with a strong technical background? Would you enjoy marketing complex derivative products directly to investors? Do you have a passion for structuring? If so, read on.

Our client, a world breaking Global Bank, is expanding its specialised derivative group and is looking for first class financial engineers to structure and market derivative products to clients in Europe and the Far East.

Consideration will be given to candidates with superb mathematical backgrounds (PhD preferred) and at least two years experience within Capital Markets.

This is your chance to join an enterprising team where long term career development is paramount. Interested?

Project Finance - Talented Modellers up to £40,000

Are you a superb financial modeller looking for new challenges? Can you survive and progress in a deal driven environment? If so, then we have the roles for you.

Currently we have a number of positions with leading European Investment Banks, who due to continuing success, are looking for ambitious modellers to join their expanding project finance teams.

Successful candidates should have:

- Proven spreadsheet abilities
- Excellent academics (ACA preferred)
- Natural problem solving skills

If you have a passion for modelling and a resilient personality, these opportunities will offer unparalleled personal growth and success.

Please contact Sarah Mallers or Zoh Yde at Badenoch & Clark, 16-18 New Bridge Street, London EC4V 6AL. Tel: 0171 583 0073, Fax: 0171 353 3908.

BADENOCH & CLARK recruitment specialists

SOURCES SOUGHT

The U.S. Department of State seeks to identify and hire experts in the area of investment banking, legal, financial, administrative and personnel services (up to a total of 6 positions) to assist a Transition Team prepare for the intended establishment of the Bank for Economic Cooperation and Development in the Middle East and North Africa (MENABANK). The Transition Team will be under the leadership of a U.S. Government official. MENABANK will be a development bank devoted to promotion of private sector development, projects of regional benefit (e.g. cross-border infrastructure) and economic cooperation in the Middle East/North Africa region. The Bank, which will be based in Cairo, Egypt, will be established when a sufficient number of prospective members, including the United States, have completed their domestic ratification procedures. While the primary place of performance for any resulting contract is Cairo, some services may be performed in other locations. Any resultant contract may be for a period as little as one month, but could be for up to one year. It is not expected that services will be on a full-time basis and may be intermittent. However, awardees should expect performance in Cairo or other locations for periods of a month or more at a time. Resultant contract will be on a Time-and-Materials basis.

Interested firms or individuals must submit an application package that, at a minimum, consists of in-depth capability statement, resume, and desired salary range. Address applications to:

U.S. Department of State
A/O/PRO/Office of Acquisition
P.O. Box 9115, Rosslyn Station
Arlington, VA 22219

To ensure proper processing, all correspondence must have the following identification number in the upper right hand corner: S-OPRAQ-97-R-0093. Applications must be received by close of business (5:00 p.m. Eastern Time) on June 17, 1997.

For additional information prior to submission, please contact the following:

TECHNICAL:
Larry Butcher
U.S. Department of State
ED/PRO/ODR, Room 3425
21st and "C" Street, NW
Washington, D.C. 20520
202-647-9426

COST/CONTRACT:
Elaine E. Overgaard
U.S. Department of State
A/O/PRO/Office of Acquisition
P.O. Box 9115, Rosslyn Station
Arlington, VA 22219
703-875-0446

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appears in the UK
edition every Monday,
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Thursday and in the
International edition
every Friday.

For further
information please
contact:

Toby Finden-Crofts
+44 0171 873 4027



THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA), a member of the World Bank Group, encourages foreign investment in developing countries by providing political risk insurance. MIGA is seeking, for its headquarters in Washington, D.C., candidates for the following positions:

RESPONSIBILITIES INCLUDE: The Guarantee Officer is assigned to a specific region and will be responsible for assessing project and country risks, reviewing development aspects and technical and financial viability of projects, liaising with MIGA's environmental office, and preparing and negotiating political risk contracts with applicants. The Guarantee Officer will also be responsible for day-to-day management of contracts for assigned countries and coordination of activities with counterparts in the World Bank Group.

REQUIREMENTS:

- MBA or equivalent business degree or MA in international affairs.
- 3-10 years of experience in international business, preferably in project finance, or political risk investment insurance with either a public or private insurer, or brokerage company. Knowledge of foreign investment in developing countries an advantage.
- Excellent interpersonal and negotiating skills.
- Fluency in spoken and written English; knowledge of French and Spanish an advantage.
- Ability to travel three to six weeks a year.

ENVIRONMENTAL SPECIALIST

RESPONSIBILITIES INCLUDE: (i) implementing and providing oversight of Environmental Assessment and Environmental Review Procedures; (ii) developing, proposing and implementing new internal policies and procedures; (iii) maintaining active liaison on the project and policy levels with technical and environmental specialists within the World Bank Group; and (iv) participating in the monitoring and evaluation of the developmental and environmental effects of MIGA-related projects and providing recommendations to mitigate any adverse effects.

REQUIREMENTS:

- Advanced degree (Ph.D. preferred) in natural resource management, biological conservation, water and air pollution control, marine ecology or environmental analysis.
- 10 to 15 years experience in applied environmental management for private sector projects in developed and developing countries.
- Excellent analytical, verbal and written communications skills; strong team leadership and client relations skills.
- Experience in dealing with international environmental interest groups.
- Creativity and strategic thinking, and ability to produce high quality state-of-the-art reports under time constraints and pressure.

MIGA offers an internationally competitive compensation package, including expatriate benefits. WOMEN FROM DEVELOPING COUNTRIES ARE ENCOURAGED TO APPLY. Candidates should send their Curriculum Vitae, typewritten in English, by June 13th, 1997 to:

Multilateral Investment Guarantee Agency - Office of Central Administration, Room 12-12-025 - 1818 H Street, N.W., Washington, D.C. 20433 USA
CVs may be submitted by fax to (202) 522-2640.

UK/European Fund Manager Hong Kong

Our client is one of the most highly respected fund management groups in Hong Kong with substantial funds invested globally. An exceptional opportunity has arisen for an individual to join them in Hong Kong to manage portfolios invested in pan European (including UK) equities.

As part of a small team, you will contribute to investment strategy, development of client relationships and the active management of portfolios. Within a disciplined investment process there is plenty of scope for individual flair.

Candidates will be graduates with all or part of the IIMR or CFA qualifications and with approximately 3 years'

experience in a fund management environment covering UK and/or Continental European equities. Personal characteristics will include sound judgement, strong analytical skills, numeracy and an independence of thought but with the ability to work in a team environment.

The remuneration package includes an attractive base salary, substantial bonus potential and other benefits. To apply, please write enclosing your CV (including details of your current salary package) quoting reference 1290 to Andrew Thompson at FLA Ltd, 211 Piccadilly, London W1V 9LD. Tel: 0171-917 2930. Fax: 0171-895 1353.



SEARCH, SELECTION
AND CONSULTANCY
SERVICES



Schroders Finance and Administration Director Indonesia

Schroders is one of the largest and most international of the UK based investment banking groups. South East Asia plays an important part in our strategy and we currently employ around 60 people in the Investment Banking and Investment Management businesses in Indonesia. The Company is a member of the Jakarta Stock Exchange.

An opportunity has arisen for a Finance and Administration Director in order to strengthen the team in Jakarta. The role, reporting jointly to the Managing Director in Indonesia and the Finance and Administration Director in S. E. Asia (based in Singapore), encompasses responsibility for the financial and administrative affairs, including regulatory and control aspects, and for monitoring settlements, IT and HR. The successful candidate will be a qualified accountant with several years' post-qualification experience, a part of which must have been in the financial services industry. Strong management skills will be essential as will the ability to handle a broad range of responsibilities. Fluency in English is mandatory, Asian experience preferable and Bahasa Indonesian desirable.

A competitive package is offered and there are opportunities for career progression within the Schroder Group world-wide.

Applications, including full résumé, should be sent to Sue Cox, Group Personnel Director, Schroders, 120 Cheapside, London EC2V 6DS.



The European Telecommunications Office is seeking a Deputy Director - Head of Numbering

ETO is a permanent office of the European Committee on Telecommunications Regulatory Affairs (ECTRA).

Responsibilities:

- responsible for numbering activities undertaken by the ETO on behalf of ECTRA;
- responsible for the preparation of ECTRA positions in European and international organisations for numbering, naming and addressing and for participation in the work of these organisations;
- responsible for representing the ETO in international numbering fora and for ensuring the quality of ETO output documents on numbering.

Duties:

- analysis, co-ordination and provision of information on numbering schemes of ECTRA countries;
- to undertake studies for the European Commission and other bodies on European numbering issues;
- to assist the Director in administrative tasks, provide an input into planning the budget and the work programme and in the monitoring duties of the Director and the Administrator.

Profile of the applicant:

- must be a national of one of the 43 CEPT countries;
- must have at least 5 years working experience in either an operator or national regulatory body and university level education, or equivalent;
- must have experience of public policy work in Numbering and Telecommunications, proven analytical skills and the ability to draft concise reports and proposals;
- must possess the ability to chair meetings and speak at conferences;
- must be fluent in English and have a knowledge of either German or French.

The post is based in Copenhagen. The commencing salary will be DKK 671,300 per annum (tax free). The applicant must be able to commence work in the beginning of 1998.

Applications (in English) before 20 July 1997, to the Director of ETO at the following address: European Telecommunications Office, Holsteinsgade 63, 2, DK-2100 Copenhagen Ø, Denmark.

For further information, contact ETO by telephone +45 35 43 80 05 or the ETO Web Site - <http://www.eto.dk>.



European Bank
for Reconstruction and Development

The European Bank has a unique challenge: to assist the countries of central and eastern Europe and the former USSR in their transition to market economies. The European Bank supports projects through lending, taking equity positions and providing technical assistance.

The Banking Department focuses on the development of the private sector, restructuring and privatisation of the state assets, creation and strengthening of financial institutions, development and improvement of the environment, including action to improve nuclear safety.

Along with a competitive compensation and relocation package, we offer action and achievement in a truly historical enterprise.



Principal Bank

Principal Bank is a leading financial institution in the power and energy sector of which it is a major shareholder. The Bank is a member of the EBRD and has a strong presence in the power and energy sector of which it is a major shareholder. The Bank is a member of the EBRD and has a strong presence in the power and energy sector of which it is a major shareholder.

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Sanwa International plc Financial Engineering/Strategic Arbitrage

DERIVATIVES STRUCTURER

Sanwa International plc, the London-based investment banking subsidiary of The Sanwa Bank, Ltd., seeks a junior structurer/financial engineer to join its successful Financial Engineering/Strategic Arbitrage Department. The role will involve participating in the pricing and execution of structured note transactions for European and Japanese investors, assisting in the writing of pricing models, and also - with increasing experience - some contribution to arbitrage activities.

The successful candidate will be expected to have:

- Around one year's relevant experience with an investment bank or securities house;
- Good honours degree in mathematics or other highly numerate discipline from a top university;
- Firm understanding of derivatives pricing theory, particularly of interest rate derivative instruments;
- Experience using and writing pricing spreadsheets; the ability to programme in C++ would be a distinct advantage.

The position offers excellent career potential in an innovative and demanding environment; salary and benefits package will be highly competitive and based upon experience and potential. Applicants for this challenging position should submit their CVs to: The Personnel Department, City Place House, PO Box 245, 55 Basinghall Street, London EC2V 5DJ.

WEB EDITOR

LONDON

IFR Publishing, a division of Thomson Financial Services, produces a range of printed and electronic products including International Financing Review, the world's leading publication on wholesale financial markets. We also produce handbooks, newsletters and magazines, and host financial seminars and conferences, from a network of bureaux in London, New York, Tokyo, Hong Kong, Singapore and Frankfurt.

We're looking for a Web Editor to join a dynamic and rapidly growing electronic development team. It's a varied role which will involve proof-reading and editing copy, developing web-based products and formulating a data warehouse, researching and writing features and exploring advertising opportunities on the Web. Not least, you'll create a structured editorial style and policy for IFR's electronic products.

In addition to offering editorial experience and a degree, you'll need to have spent at least three years' reporting on international capital markets, preferably for a major publication or news service, and must be able to work independently as well as in a team. A strong interest in electronic media and a good knowledge of the Internet would also be a great advantage.

In return, we're offering an excellent salary, a full benefits package and superb career prospects.

To apply, please send a full CV and covering letter, quoting job code 97075/FT, to Jon Baynes, Thomson Financial Services, Human Resources, 2nd Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1DL. E-mail: jonbaynes@tfs.co.uk

Closing date: June 11th 1997.



The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Toby Finden-Crofts on +44 0171 573 4827

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Ann Williams
Suite 105, 75 Cannon Street, London, EC4N 3SN
you will be treated with the utmost confidence.



FINANCIAL TIMES

LEADER WRITER

The Financial Times seeks a leader writer to join a small full-time team. Applicants should have a good degree in economics (or equivalent), an international outlook, the ability to write clearly and well on a wide range of subjects and to generate ideas. Experience as a journalist is an advantage, but not essential.

Closing date is June 9th and applications should be addressed to:

Robin Panley
Managing Editor
The Financial Times
Number One Southwark Bridge
London SE1 9HL

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ACCOUNTANCY APPOINTMENTS

HEAD OF TAXATION

HIGHLY COMPETITIVE PACKAGE

U.K. HEADQUARTERS, DERBY

Williams is an international manufacturing group operating in three business areas - fire protection, security and home improvement. Following the recent acquisition of Chubb Security Plc, the group is now a world leader in fire protection and security.

THE POSITION

- Provide a central focus on all tax issues.
- Provide project management skills to implement agreed initiatives.
- Ensure with and challenge proposals from the group's outside advisors.
- Provide accurate forecasting of tax charges and payments.
- Monitor planning and compliance activities of outside advisors and operational management.
- Identify the tax implications arising from any changes in the business.
- Keep abreast of changes in tax law and practice, developing appropriate initiatives in conjunction with advisors.

QUALIFICATIONS

- Aged 35-45.
- Qualified Chartered Accountant with detailed knowledge of tax in an international group where ACT issues are at the centre of planning strategies.
- Project management capabilities, commercially sound with a practical hands-on approach.
- Ability to think through issues and present effectively to non-tax experts.
- Capable of building strong professional relationship with the group's outside advisors and of working as part of a small, highly focused and effective team.
- Persuasive and creative with a forward thinking approach.

Candidates should send details of career to date and current remuneration, quoting ref 582 to Grandison Selection, 46 Green Street, London W1Y 3JF.

WILLIAMS

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Key new roles in £200 million turnover plc with 24 international subsidiaries. Strong European presence with global ambitions. Excellent share of fast-growing market, strong links to premier suppliers as well as established blue-chip customer base.

Group Financial Controller

£65,000 + Car + Benefits

Treasury & Tax Manager

£55,000 + Car + Benefits

THE POSITION

- Responsible for all internal and external group financial reporting, business planning and analysis. Report direct to Group Finance Director.
- Champion improvement in financial management and analysis across subsidiaries.
- Develop and maximise application of integrated financial reporting systems across the group. Liaise extensively with subsidiary companies.

QUALIFICATIONS

- Graduate calibre qualified accountant with upwards of ten years' experience including international reporting and business planning. Strong commercial background gained in international group.
- Commercially astute and technically excellent. Previous exposure to manufacturing, distribution or electronic sectors advantageous. Multicurrency accounting and systems development experience beneficial.
- Excellent interpersonal and presentation skills with drive and energy. Mature and able to build respect of group board and subsidiary management alike.

Please send full cv, stating salary, quoting relevant reference, to NBS, 54 Jermyn Street, London SW1Y 6LX

Fax 0171 491 0447 Tel 0171 493 6392

THE POSITION

- Build and manage a proactive treasury and tax function. Implement group treasury policy. Report to Group Finance Director.
- Maximise utilisation of group's cash resources, minimising foreign exchange exposure. Manage and develop banking relationships ensuring effective investment strategy. Ensure available funding to support international expansion.
- Full responsibility for corporate tax planning and compliance in conjunction with external advisors. Implement best practice tax strategy amongst existing operations and advise on tax implications of past and future company direction.

QUALIFICATIONS

- Graduate calibre qualified accountant with experience of managing group treasury and tax planning functions in an international environment. (Perhaps have ACT or ATR qualifications).
- Technically excellent with proven record of academic achievement. Record of success in an international treasury function. Proficient working on a pan-European basis.
- Confident communicator with the ability to influence at board level and with outside institutions.

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NBS Selection - London



Selection and Search

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Logica Finance Managers

London and Surrey

£ Excellent + Car + Bonus

Logica plc is a leading company operating in the worldwide computer services industry, with operations throughout Europe, North America and the Asia Pacific region. With 5000 staff in over 18 countries, Logica supports organisations worldwide, supplying consultancy software and systems integration services to the highest professional standards. The company is firmly committed to a future strategy of both organic and acquisitive growth.

Following internal promotion, the group is looking to strengthen its UK operation by the appointment of two key individuals who have the confidence and ability to drive further changes within a dynamic and fast paced environment. Reporting to the UK Finance Director and working closely with senior management and Directors up to Board level, these are highly commercial/project based roles. Key responsibilities will include:

- Effective and innovative analysis of current business issues and formulation of strategic plans.
- Developing a strong understanding of operational issues and supporting the financial needs of three key business units.
- Financial input to major bids and projects including management of foreign exchange exposure, investment appraisal and cash management.

Production and analysis of monthly results and statistics and the generation of accurate monthly forecasts and annual budgets.

Undertaking ad-hoc projects including due diligence exercises.

Prospective candidates will be highly commercial graduate qualified accountants, who have demonstrated considerable potential in their career to date, with a minimum of four years post qualified experience. You will have excellent interpersonal and analytical skills, with experience of operating at a senior level. Experience of the IT services market would be useful, as would competence in other languages. Of equal importance is your hands-on approach, coupled with the ability to think strategically.

In return, Logica is offering excellent career progression within a continually expanding organisation, where career development is only limited by individual performance and ability.

Interested candidates should write to Jazz Dhamda at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN enclosing a comprehensive curriculum vitae with salary package, quoting reference 351442.

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leeds London
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INVESTMENT BANKING Attractive Package

Rabobank is the world's only private international bank with a current "AAA" rating from all of the major rating agencies. Due to the rapid expansion within the London Investment Banking Division, covering Treasury, Derivative and Capital Markets products, two new opportunities have arisen for self-motivated individuals to assume key roles within Finance & Control and Internal Audit.

Product Accountant (ref CJ14)

An exciting opportunity has arisen to join and play a key role within the Product Control team. Main responsibilities will include P&L and balance sheet reporting, MIS analysis, trader liaison, and the development of process systems and controls.

Candidates will be recently qualified graduate accountants with a high level of numeracy and the ability to work unsupervised to tight deadlines. Experience of financial institutions with previous exposure to derivatives is desirable and all applicants should demonstrate initiative, confidence and a desire to progress.

Full CVs complete with current salary details in strictest confidence to Carol Jardine, Jardine Kelso, c/o Rabobank International London Branch, 108 Cannon Street, London EC4N 6RN

Operational Auditor (ref CJ15)

The successful candidate will be an integral part of a three person team. Main responsibilities will include the development and implementation of internal audits for our rapidly growing London Investment Banking activities.

Ideally, candidates will be qualified or part-qualified graduate accountants, with at least two years experience of auditing a broad product Treasury. Exposure to and knowledge of financial derivatives is a pre-requisite.

Applicants will be innovative and methodical with strong communication and systems skills.



Rabobank

£42,000 +
car + bonus
+ top
benefits

IT Controller

Thorn is a major international group with an annual turnover in excess of £1.5 billion. In Europe, Thorn operates in 13 countries and the core businesses are brand leaders in their respective markets. This is an exciting opportunity with Thorn Europe, owing to the creation of a new management role with pan European exposure, to establish high standards of procedures for proactively managing all systems changes on finance across Europe and ensuring compliance with those procedures. Responsibilities include:

- Regular reporting at Director and senior management level across the UK and Europe.
 - Defining policy to system change control for finance, across Europe.
 - Managing the day-to-day working relationship with the IT function, on behalf of finance.
 - Guiding the European Finance Team on technology and service related decisions. Advising on prioritisation of systems resources/budget.
- You are likely to be a qualified ACA accountant with in excess of five years PQE, preferably with a background in the Financial and subsequent commercial experience. You should also possess a knowledge of project management, implementation, as well as understanding process and control implications. Strong interpersonal skills and the ability to build and develop working relationships in conjunction with the ability to manage and resolve potentially conflicting situations are essential skills. You should also be a results driven, proactive individual who can grasp new ideas and concepts quickly.

A high profile opportunity, reporting to the Director of Finance, within a prestigious and forward-looking multinational. Career development opportunities within the Group are first class and the financial package includes bonus, PRP, and other benefits associated with a major international corporation. Please apply enclosing a full CV and details on your current salary package, quoting ref RB2611, to Rachel Dayland at Robert Half International, Princess Beatrix House, Victoria Street, Windsor, Berks, SL4 1EH. Telephone: 01753 857 777 Facsimile: 01753 841 676. Any CV submitted direct to Thorn will be forwarded to Robert Half as retained consultants.

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Les Echos
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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to target the French business world. For information on rates and further details please telephone: Toby Finden-Crofts on +44 171 873 4027

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appears in the UK edition every Monday,
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For further information please call:

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Logica

European Finance Manager

North West Kent

to £50,000 package including car

Our client is a leading world player in international freight forwarding. With 6000 staff worldwide and an international network of offices and depots operating a full range of services by air, sea and overland, this company is one of the few logistics organisations who are multi-modal and global in reach.

As the business continues to prosper, a need has arisen for a highly commercial Finance Manager to join the European Head Office team. Reporting to the European Finance Director, this is a key role with far reaching responsibility to maximise operational efficiency and profitability. The incumbent will have a strong influence on strategic decision making.

The role will involve:

- Review and analysis of performance of European subsidiaries.
- Cash flow/working capital management.

- Ad-hoc systems implementation projects.
- Preparation and review of budgets.
- Control over adherence to global policy and procedures.

The nature of the role will mean considerable European travel will be involved on an ad-hoc basis.

Candidates will be qualified accountants with considerable commercial exposure in an international environment. Language skills are highly desirable, especially German and/or Italian. A high level of communication and interpersonal competency is essential to effective performances of this role.

If you feel you have the qualities to fulfil this challenging position, please send a comprehensive CV, quoting reference KLR 340874 to:

Jonathan Ross at Michael Page Finance, Cynnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG.

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leeds London
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Chief Financial Officer

Central - and Eastern Europe
Prague Based

Our client is a fast growing service organisation with a reputation for quality and professionalism. It is active in several countries in Central - and Eastern Europe and has significant expansion plans. Our client is member of a global corporation. The organisation in Central - and Eastern Europe consist of a young, dynamic, international and entrepreneurial team.

As a CFO you will be a key member of the regional management team. Responsibilities will cover finance, accounting and administration which includes budgeting, tax, treasury management and liaison with external advisors and officials. You will also be responsible for internal procedures and policies, human resources co-ordination. You will report directly to the regional managing director.

The position is based in Prague. It will require travelling to other countries in Central - and Eastern Europe especially to set up financial systems and procedures. It will be your goal to make each country work as independently as possible.

This demanding role requires a business minded CFO of the highest calibre. You will have experience within a dynamic, international environment. You might be working as a controller, professional advisor, management accountant etc. and be interested in a broader and more international challenge. Your experience should also include significant exposure to accounting systems development and implementation. You will be a hands-on person who at the same time thinks strategically. You use finance as a management tool and proactively search for profitability improving actions. Previous working experience within emerging markets is desirable, but not essential. Fluency in English is required.

You will be a persuasive communicator, energetic, an excellent manager and motivator of staff. You will be robust in character and not afraid of an environment which frequently presents unexpected obstacles. Applications will be treated in strictest confidence.

Send resume
quoting reference 346
to
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Financial Services
Practice
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101 00 Praha 10
Czech Republic
Tel: +420 2 74 23 41
Fax: +420 2 74 23 46
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Senior Finance



Excellent Opportunities in a Start-Up Company



Nissan Finance (GB) Limited

Rickmansworth

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Michael Page Finance
Specialists in Financial Recruitment

Nissan is bringing the provision of motor finance in-house by the formation of Nissan Finance (GB) Limited which is due to commence trading in April 1998. The company will be part of a successful group with turnover in excess of £1 billion and annual new vehicle registrations of approximately 100,000 per annum. This strategic move is a reflection of the increasing importance of vehicle finance to car buyers. It is Nissan's intention to develop a variety of innovative finance packages to keep pace with the fast moving retail marketplace and to ensure that its dealers and customers are offered the very best service and products. This is an opportunity for you to be part of the team shaping this new start up company at an exciting stage of its development. Both roles will report directly to the Head of Finance.

Manager Financial Accounting

Principal responsibilities will include:

- Participate in the formulation of accounting policies and procedures and implement them throughout the business.
- Development of financial and in house IT systems from scratch, followed by SAP implementation within two years.
- Statutory and regulatory compliance, liaison with HMCE to improve partial exemption status, Inland Revenue, auditors, professional advisors and group consolidation.
- Provision of technical expertise on relevant accounting issues.
- Staff supervision and recruitment.

Experience/competencies/qualifications required:

- Qualified ACA minimum three years PQE.
- Experience within financial services organisation/car industry an advantage.
- Strong team leader, hands-on approach.
- Proactive with ability to work on own initiative and fit into team environment.
- High degree of technical knowledge especially VAT/Taxation.
- System implementation and development.

Interested candidates should write enclosing an up-to-date curriculum vitae to Joe McShane at Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA.

Treasury Manager

Principal responsibilities:

- Installing and establishing the treasury management system.
- Formulating the funding and hedging strategy.
- Managing the company's liquidity and interest rate position ensuring that payment procedures are followed to maximise net income.
- Cashflow analysis and forecasting funding/investing requirements.
- Managing relationship with Nissan International Finance.

Experience/qualification required:

- Qualified Accountant or qualified by experience in accounting.
- Member or Associate of the Association of Corporate Treasurers an advantage.
- Minimum two years experience in a similar role.
- Proactive with ability to work on own initiative and fit into team environment.
- Systems implementation and development experience advantageous.

Finance Director Automotive

To £60,000 + Car + Bonus & Benefits

West London

High-profile senior management role for commercial finance professional.

THE COMPANY

- ◆ Well-established, rapidly expanding, privately owned group. Turnover £40m through five sites. Strong profit record.
- ◆ Highly successful, entrepreneurial approach in competitive market sector. Committed to significant growth plans.

THE POSITION

- ◆ Drive new opportunities for growth and diversification. Contribute to commercial planning. Enhance business performance.
- ◆ Fully responsible for financial management, company secretariat and credit functions. Improve MIS and internal processes.

- ◆ Pivotal member of senior management team. Lead and motivate multi-site staff. Report to MD.

QUALIFICATIONS

- ◆ Outstanding senior finance professional. Proven commercial success in sales-focused trading environment.
- ◆ Qualified accountant. Strong record of improving financial management at strategic and operational levels.
- ◆ Confident, articulate and committed. Broad vision with practical skills. Down to earth.

Please send full cv, stating salary, ref SL70503, to NBS, 7 Shaftesbury Court, Chalvey Park, Slough SL1 2ER

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£65,000 + benefits

ESSEX

This is an exceptional opportunity to play a key role in the continuing success of a major management buy-out opportunity. This successful business, which is one of the market leaders in its sector, backed by one of the country's largest venture capital groups, is well positioned to take advantage of significant opportunities within a specialist retail and wholesale business sector.

The Finance Director will be responsible for all day-to-day finance, accounting and IT tasks as well as grasping the Group for a possible flotation within the next two years.

The Position

- Lead a high-quality finance function providing fully comprehensive accounting and management systems.
- Implement robust and sophisticated treasury management systems.
- Prepare the business for a possible flotation, working closely with City advisors and regulators.
- Play an important role, as a member of the Board in the general management of the business.

The Requirements

- High calibre, graduate, qualified ACA with at least 8 years' PQE.
- Strong accounting and finance skills, with experience of developing integrated and sophisticated financial systems.
- Good knowledge of Yellow Book regulations and procedures, ideally with in-depth experience of working with "the City".
- A commercial and "hands-on" approach, with the creativity and pace to implement change in a fast-moving environment.

Please send your CV with current salary details to: Sara Kenderdine-Hair, K/F Selection, 252 Regent Street, London W1R 6TL, quoting ref: 90553/A.

Alternatively send by fax on 0171-312-5880 or by e-mail to cv@kfselection.com. Internet Home Page: <http://www.kfselection.com>

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

مركز العمل

WORKING ABROAD

Working in Asia Banking Singapore and Hong Kong

Wednesday 18th June 1997 - 6.30pm

Michael Page International is hosting a seminar in Central London for accountants (newly qualified to five years PQE) interested in working in Singapore or Hong Kong. Our Singapore Director, Scott M. M. offer you the opportunity to discuss career possibilities in Singapore.

Demand for this seminar is likely to be high, so telephone early. Please contact Kate Timms on 0171 831 2548 as soon as possible for a booking.



Michael Page International

International Recruitment Consultants
London Paris Amsterdam Düsseldorf Frankfurt Madrid Hong Kong Singapore Sydney Melbourne



Head of Taxation

Bracknell c £80,000 + Bonus + Executive Benefits

Ocean is an international provider of industrial and distribution services with a turnover of £1.1 billion, operating in 42 countries; a new executive team is bringing a fresh approach, leading major change and presenting demanding growth and performance targets to its businesses.

Ocean's strategic goal is to build shareholder value through consistently increased earnings. Its vision is to be a dynamic, successful, professionally managed and financially sound provider of services in markets throughout the world. Ocean has further plans to enhance by acquisition its already significant presence in North America, Europe and South East Asia.

To meet this challenge, it must attract, develop and motivate high calibre people in all areas of its business. Ocean now requires a Head of Taxation. This is a newly created role working closely with senior finance and commercial management. This position demands a creative, lateral thinker who displays initiative in structuring and planning the Group's worldwide tax strategy.

Specifically, they seek an individual with strong UK and international experience gained in a transaction led environment. Your approach to tax planning must be creative and commercial,

with an ability to think outside the 'box' and constantly stretch those around you. Given your age, probably 32-36, you will exhibit exceptional interpersonal qualities, including powerful and persuasive negotiation skills, a highly commercial approach, mature judgement and clear decision making. Reporting to the Group Finance Director, you will also work closely with senior finance and commercial management, where you will have the opportunity to make a major contribution to the overall management and development of the Group. From the beginning, the role offers significant interplay with the Group's treasury function.

The client is seeking an exceptionally talented individual for this highly responsible and visible role. The remuneration package reflects their determination to attract such an individual.

Anticipating that an individual of this calibre will probably not be actively seeking a new position, we would encourage you to call Chris Nelson, Director, or Donald McFarlane on 0171 269 2232 (0181 785 6191 evenings and weekends) for a discreet, confidential and informal discussion. Alternatively write to them at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6662.



Michael Page Taxation

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DIRECTOR OF FINANCE - POLAND

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Based Warsaw

up to £80,000 incl. expat. benefits

The member firms of Coopers & Lybrand International are represented in 17 countries of Central and Eastern Europe and the former Soviet Union. There are currently 1,500 Partners and staff located throughout the region. The Polish firm has four offices in Poland, Gdansk, Krakow and Poznan with over 320 Partners and staff.

The Director of Finance will have responsibility for the management of a small finance department where staff are being developed in a rapidly changing and fast growing professional environment. Working closely with the local Senior Partner, the key requirement will be to manage and enhance the financial processes and performance of all the Polish offices through effective control and monitoring of all accounting functions, within the overall framework of a 40% business growth target for the Polish firm in the next two years. Other main responsibilities will be to develop relationships with external Tax, VAT and other fiscal bodies and to manage the development and implementation of the firm's IT system.

The successful candidate is likely to be a senior level Financial Controller or Finance Director looking for a challenging role in a fast moving professional services organisation. Experience of leadership and people management/coaching skills within a similar size or larger accounts functions is essential. A knowledge of Sun Accounting systems or a background in a professional services environment would be very useful. There is no requirement to speak Polish although this would obviously be an advantage.

Interested applicants should forward their Curriculum Vitae to Gerald Evans at Douglas Llamblas Associates PLC, 10 Bedford Street, London WC2E 9HE. Tel: 0171 420 8000 or Fax: 0171 379 4820. Email: info@llambias.co.uk



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Competitive Expat Package

Middle East

High calibre finance professional is sought to develop and control overseas investments of major Saudi Arabian trading company. Considerable international travel.

THE COMPANY

- US\$200m turnover market-leading Saudi Arabian food import and distribution company. Recent expansion into new geographical areas.
- Family-owned business established 1933. Substantial shipping, agricultural and financial investments in South America and South Africa.
- Well-established management team. Strong growth and profit outlook. Record of tight financial management for business benefit.

THE POSITION

- Reports to Managing Director. Part of small, tight-knit professional finance team. Primary focus on implementation and development of financial controls, facilitating effective management of core/subsidiary businesses.
- International remit. Extensive travel to Chile and South Africa, evaluating adequacy of systems and control mechanisms. Ensure compliance with financial and operational guidelines.

- Design, implement and manage financial IT systems to aid compilation and analysis of accurate and timely business information reports.

QUALIFICATIONS

- Graduate calibre qualified accountant. Upwards 7 years' PQE incorporating internal audit and financial control. Strongly IT literate and technically excellent.
- Demonstrable track record in validation and implementation of financial control procedures in far-reaching international branch network. Industry knowledge preferable.
- Drive and enthusiasm, flexibility and adaptability. Willing to travel extensively. Ability to communicate easily and authoritatively in disparate environments. Knowledge of Arabic preferred but not essential.

Please send full cv, STATING SALARY, ref LG70515, to NBS, 54 Jermyn Street, London SW1Y 6LX
Fax 0171 491 0447 Tel 0171 493 4392

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+ car + bonus

Well-known, highly regarded and successful, our client is a leading force in its sector. Part of a major blue-chip media group, this publishing business is expanding both in the UK and internationally.

The Strategy and Financial Planning Director will review and analyse business performance. Travelling frequently in Asia, Europe and the USA, working closely with and guiding senior operations and financial management, he or she will identify trends and their implications and determine appropriate action. Project managing new acquisitions, responsible for the company's strategic planning process and closely involved with the parent group, the Director will have the opportunity to make a significant contribution to the development of the business.

Likely to be aged in their early 30s, applicants, who should be graduate qualified accountants, must have impressive career records. Analytical experience gained in a blue-chip firm or consultancy environment would be particularly useful and excellent communication skills are essential.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/329/F.

Investment Banker

Our client is one of the world's leading international commodity trading and industrial groups. It's growth and success in the last years has been supported by investments in industrial activities. The group enjoys excellent financial strength and support of world's leading financial institutions. It is looking for an investment banker to strengthen the finance team at the group's head-office in Switzerland.

The Role

Supporting senior finance and commercial management in all aspects of acquisitions, mergers, disposals of industrial companies such as:

- valuations, due diligence
- legal and tax negotiations
- financing negotiations
- performance monitoring

The Qualifications

- Age 28-35, fluent in English, knowledge of Spanish, French, German is an asset.
- University degree in business administration, finance or economics.
- 3-5 years experience in investment banking, mergers and acquisitions, corporate finance in a major investment bank or corporate finance firm.
- High degree of self-motivation, strong negotiation and communication skills, dynamic self starter with an entrepreneurial drive.

This highly successful group offers a unique opportunity to assume a challenging and responsible position in a very motivating, demanding - but very success-rewarding - and entrepreneurial environment.

The compensation corresponds to the attractiveness of the position and the success of the individual.

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Buena Vista International (Europe) is a big movie environment from floor-boards to ceiling, filled with charismatic, big-movie people. To make it here, you'll have an equally expansive personality. Responsible for co-ordinating financial information from Iceland to South Africa to Moscow, you'll be critical to improving the whole process. It's quite a job dealing with everyone from audit firms to local country finance and accounting, treasury, legal and tax experts, plus our head-office staff in Burbank, California. All on behalf of a company that has distributed such recent hits as *Scream*, *Remains*, *The English Patient* and *Shine*; and who has exceeded the \$1 billion mark at the box office for two years running, in the international market alone. You'll need to be an excellent juggler and all-round star performer, and to have qualified (ACA) with one of the big six firms. Whether you're still in the profession or currently in industry, you will now have 1-3 years pge. If you have personality and brains in equal measures, please send your CV to: The Recruitment Department, 3 Queen Caroline Street, Hammeramith W6 9PE. Please quote ref: 029/FT.



Buena Vista International (Europe)

We only work with personalities that can fill the big screen.

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This \$1 billion business, part of a major US corporation, has operations throughout Europe, the Middle East and Africa. It engineers and manufactures a wide range of products predominantly for industrial and construction sectors and continues to grow organically and by a programme of aggressive acquisitions. Undergoing major change to bring greater integration throughout the area the focus is on introducing team based working.

The company needs to build a team of up to 6 people, preferably multilingual and with the potential to be future FDs. Whilst the team will be based in the UK it will handle various projects throughout the area and the US and Far East including pre and post acquisition reviews, internal control evaluations, and assessment of IT systems and management. Internal audit is the route into the corporation and supplies finance professionals to the operating companies.

AUDIT MANAGER

To £50,000

Reporting to the US you will have considerable autonomy for planning projects and ensuring their implementation. Your role will require close liaison with the VP Finance and other senior operational management. Qualified ACA/ACCA you should have 5-6 years post qualification experience either in industry or straight from the profession. If the latter you must have considerable exposure to clients in the engineering/manufacturing sectors. Evidence of successful project management and team leadership is required. (Ref: FT489J)

AUDIT SENIORS

To £37,000

Reporting to the Audit Manager you will spend the majority of your time on site leading teams of 2/3 auditors ensuring timely and efficient completion of projects. This will require people and project management skills coupled with the stature and personality to interface with operational management. You will have 3-4 years experience post qualification in broad ranging review work within manufacturing/engineering. (Ref: FT490J)

AUDITORS

c£32,000

You could be newly qualified and looking for your first role in industry. Alternatively your experience may be all in manufacturing with a blue-chip business. Either way you will be keen to travel and take a steep learning curve to an operational finance role. You will have already demonstrated drive, ambition and resilience. (Ref: FT491J)

Please send a CV, quoting the appropriate reference number, to Peter Shotton, at Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 0161-839 2000, Fax: 0161-839 0064.

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Reporting to the Finance Director, you will be responsible for managing and developing the accounting and administrative functions, leading a substantial team of professional staff. You will take a lead in systems development to support the business and will generally be expected to bring a fresh commercial outlook to improving the service and increasing efficiency.

A qualified accountant, preferably CIMA or ACA, with good people management experience, you will have ideally between 5 and 10 years post qualification experience in a financial services, insurance or leasing environment. The successful candidate will have a detailed awareness of computer systems, excellent communication skills and the ability to implement change through a clear and decisive management style.

Please send a CV to Joelle Warren at Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 0161-839 2000, Fax: 0161-839 0064, quoting ref: FT493W.

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Our client, part of a very prestigious local Group, is a highly respected supplier of Ericsson's telecommunication equipment and services to a wide range of private and corporate customers throughout the Kingdom.

Reporting to the Deputy General Manager, you will have a high degree of autonomy and assume full responsibility for all accounting, financial control and IT functions. As a key member of the senior management team, this 'front line' role will involve a wide range of operational and commercial issues, including spearheading the development of the Company's IT strategy.

A young, dynamic Chartered Accountant or equivalent and ideally degree qualified, you will have at least 4 years' post-qualification experience gained in a large, service-orientated company. Proven team leadership and motivational skills must be combined with the credibility to present at Board level, and the confidence to be effective within a multi-racial environment. Commercially aware, you will be used to working in a rapidly changing environment, to tight deadlines and under pressure. Vitrally important is a high degree of computer literacy, supported by practical experience of systems development and the implementation of internal controls.

In return, there is an attractive, negotiable tax-free salary and bonus, together with a generous package which includes quality housing, medical care, paid holidays and renewable contract, together with excellent prospects for career development within an expanding business.

Please write, in confidence, with full career and salary details to Ghassan E. Yazigi, Executive Director, Middle East Practice, Heidrick & Struggles, 100 Piccadilly, London W1V 9FN. Please quote ref: 3341-13.

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We anticipate the successful candidate will be a Chartered or Certified Accountant with at least 10 years audit experience, preferably with larger firms. Good communication skills and computer literacy required. Ability to speak Chinese will be an advantage but is not essential.

Attractive salary with fringe benefits will be offered to the right candidate. (Circ GBP50,000)

Please write with CV and full personal details to:

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PW in London

c.£50,000

Price Waterhouse has an outstanding reputation for corporate tax consulting, both in the UK and internationally, working closely with clients to understand their needs and deliver innovative, value-added solutions. We currently intend to expand our European Streamlining Group which advises top-tier multinational companies on achieving their business and organisational goals by streamlining their operations in Europe in the most tax efficient ways.

This role presents an exceptional opportunity for an outstanding tax specialist to develop skills at the cutting edge, working in a multi-disciplinary team, across high profile projects, with outstanding professionals. Streamlining is much in demand and already firmly established. Your influence will extend from feasibility to implementation, presenting business system solutions to senior level management and acting as an agent of business change for the world's leading organisations.

You will need an exceptional blend of talents. Strong influencing, communication and interpersonal skills are essential, together with a minimum three years' post experience gained in a UK or US international legal/accounting environment. The ability to harmonise with other disciplines, the team spirit to work with different departments and the record of project management that suggests a fast-track career are all important. Although a foreign language is not a prerequisite, you must be prepared to travel extensively.

In return, you can expect an excellent salary and a range of benefits, including a flexible remuneration scheme which allows you to influence your total benefits package.

If you have the expertise, vision and personality to grow with such a role, please send a detailed CV to: Bonnie Patton, Price Waterhouse, 32 London Bridge Street, London SE1 9SY.

Price Waterhouse



Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Poplar HARCA Finance Director

Poplar HARCA is a new housing and regeneration agency working in the London Borough of Tower Hamlets. Following a positive vote by tenants, the HARCA will take over just under 2,000 homes on three estates in early 1998. Subject to further tenant ballots, the HARCA will over the next three years grow to 6,500 homes, delivering a multi-million pound refurbishment and regeneration programme. The HARCA now wishes to recruit its first senior staff.

Salary \$46,000 - \$52,000 p.a.

The Finance Director will establish and lead the team responsible for financial control and financial management. The Finance Director will take personal responsibility for managing the HARCA's loan portfolio and relations with lenders.

Candidates will need to be fully qualified (CA, ACCA, CIMA or CIPFA), and experienced and effective financial managers. Experience of developing and implementing complex financial strategies is essential. The emphasis of the Senior Management Team will be on performance. Candidates will need to show a track record in achieving corporate as well as departmental objectives.

Candidates should apply in their own style by 16 June 1997 at 12 noon to HACAS, the HARCA's advisers, whose address is given below. An information pack is available from HACAS.

HACAS Ltd, United House, North Road, London N7 9DP.
Telephone 0171 609 9491. Fax 0171 700 7589.

HACAS
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EXECUTIVE SEARCH & SELECTION

Finance Manager

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...is the business of this fast-growing, forward-looking leader in financial sector software. Based in the West Midlands, the company is well established with a turnover of £8 million and an enviable track record.

The young management team is now looking to consolidate the next critical phase of development through the active involvement of an equally ambitious, corporate-minded, senior finance professional.

At the right hand of the Managing Director, your brief will be to support the corporate decision-making process with watertight financial management information. At the same time, you will be leading a fully-resourced Accounting function in delivering effective control systems to schedule.

We are therefore looking for a comprehensive skill-set from a mould-breaking individual. Probably a graduate, you are also likely to be a qualified Accountant - but definitive qualifications will take second place to personality. What your track record must show is a deeply credible advisory style,

proven motivational line management experience in the activities of a substantial accounts team, genuine proficiency in the use and development of computerised systems and a well acquired taste for commercial success. Above all, given the pace of growth in this organisation, you must display that nebulous quality called potential: you'll know it if you have it, we'll know it when we see it, and the company plans to take it all the way.

If you feel your skills give you the edge to carve out a career in financial technology, cut to the chase now by writing with a full CV to Jenny Mayes or Gavin Burgess, quoting reference G/0109/FT at the address below.

Executive Search & Selection,
Price Waterhouse Management Consulting Ltd,
Corrwall Court, 19 Corrwall Street,
Birmingham B3 2DT
Fax: 0121 200 2464
E-mail: Jenny_Mayes@europe.notes.pwco.uk
E-mail: Gavin_Burgess@europe.notes.pwco.uk

CONTROLLED

Troy Corporation, a leading U.S. Corporation in the specialty materials industry, is seeking an individual for its Netherlands office.

The individual will be responsible for establishing and maintaining financial/accounting controls for European operations. Additional responsibilities will include systems, budgeting, auditing, consolidating financial reporting, and functional control over the accounting and financial activities.

Qualified persons will have a degree in Accounting/Finance and hold the designation of Chartered Accountant. Please send a full resume to: Human Resources Mgr.,

Troy Corporation
8 Wyndham Road, PO Box 955
North Park, NJ 07732-0955, USA

IT Appointments

INVESTMENT BANKING

C++/MATHS

£30k - £45k + BENS

Futures and Options research group of this pre-eminent US Investment Bank seeks C/C++ expertise for analytics development. Primary responsibilities include the development of a global database (Sybase), purpose built analytics (realtime and static) and daily reports covering the major Futures and Options markets worldwide. Successful candidates will have strong C/C++, OOD and strong maths skills combined with an excellent academic background.

C++/ORACLE OR SYBASE/NT

£30k - £45k + BENS

Senior Developers required for the design and development of a new Repo system for this market leading European Investment Bank. Joining a multi-disciplined team, you will utilise a variety of development tools including C, C++, Oracle, Sybase and a suite of Microsoft products. These are very business focused roles requiring some knowledge of Investment Banking, with preference going to those with Repo knowledge. Candidates are also required to have a good degree, and a minimum of two years C and/or C++.

SYBASE/ORACLE/NT/UNIX

£35k - £50k + BENS

Leading financial software house requires technical consultants charged with the technical design, implementation and delivery of a host of Risk Management products. You will provide technical leadership in a multi-skilled environment which will utilise your significant database, GUI design, system administration and C/C++ programming skills. Superb opportunity to completely oversee the technical delivery of a market leading product.

C OR C++/UNIX

£25k - £40k + BENS

US Investment Bank requires high calibre Developers with a minimum of two years C/C++ and UNIX expertise. Located in close proximity to the trading floor, you will build rapid applications under SUNOS Solaris utilising GUI front ends, Sybase and Rogue Wave libraries. This is an excellent opportunity to increase your technical skillset and develop your Investment Banking knowledge.

V.C++/NT/VISUAL BASIC

£30k - £40k + BENS

Business Developers required by this leading Wall Street player. Primary responsibilities are to gather user requirements for a global integration of a new order trading system and translate those into effective and usable technical designs. The successful candidates will have a strong development background, to include C++ and Visual Basic and the aptitude to acquire Investment Banking knowledge quickly. First class career move.

C++/UNIX/SYBASE

£40k - £60k + BENS

Outstanding opportunity for high calibre Developers with a minimum of two years C++/UNIX/OO and relational database expertise. Providing analysis, design and build on a Global Equity Risk System the roles typically follow an interactive/RAD development approach requiring extensive user contact to a broad user base. You will develop a thorough understanding of Risk Management principles and have the opportunity to deliver a number of systems through from design to implementation. Rapid career development.



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As Systems Accountant, you will be responsible for the maintenance and further development of the group's global accounting system. A member of the finance function, but with close links with the group's IT departments and business managers, you should have experience of mid-range PC-based client server accounting software.

Currently based on Platinum and with sites in London, Hong Kong and North America, you will have the ambition and vision to build and invest in a system that can accommodate the group's future growth and information needs. You should also be comfortable with accounting in a multi-currency environment. This high-profile role will involve close communication and an understanding of business requirements.

Please apply with full details to John Parker, Group Financial Controller, at the address below.



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Central London

£30-50,000

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The long standing market leader in the UK, our client is one of the world's largest and strongest financial services groups. Recent results are at record levels and organic growth, acquisitions and the launch of new businesses will ensure that it enhances its dominant position in a rapidly changing environment.

The group's high profile internal audit team undertakes a wide range of significant business reviews throughout the UK and overseas - the US, Asia and South Pacific.

There is a long established record of promotion from this team into varied roles within the group. As a consequence, there is a regular need for high calibre replacements.

Challenging assignments will include risk and control assessments and project management and IS reviews, embracing a wide range of substantial new initiatives and business process re-engineering.

Applicants should have a computer audit or systems background in a major accountancy practice, commerce or the public sector and be familiar with emerging technologies including networks, client server and open systems. With exposure at the highest level, flexibility, adaptability and strong communication and reporting skills are essential.

Please write, enclosing a career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/260/F.

AINS WORTH
& ASSOCIATES

Ainsworth and Associates are specialists in the development of Business Solutions and the application of Information Technology in Finance, with long experience of financial business operations in many different client environments. During the past ten years, we have developed a reputation for excellence unequalled in our field.

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Principal & Senior Consultants

with experience in:

Project Management

You have at least 5 years experience running multi-man-year bespoke developments or package selection/systems integration projects using modern Project Management tools and methods within the financial services industry.

Business Analysis

Your profound understanding of the financial services industry will have been gained over a period of 5 - 8 years developing IT solutions with a leader in Asset Management, Custody, Securities Trading & Processing, Investment Banking or Life & Pensions.

Systems Integration

You have specialist understanding in areas such as interfaces, data integrity and security, application and infrastructure performance and tuning, software configuration management, and supplier management gained in a sophisticated financial services environment.

Software Development

You are an accomplished practitioner in the use of PowerBuilder, C++ or VB5, maybe with team leading experience for large scale developments ideally but not necessarily in the financial services sector.

We offer an attractive remuneration package including equity participation and provide an excellent environment for personal development.

In the first instance please contact our retained consultants, quoting reference DA/5, Vine Poterloo Limited, Suite 26, Ludgate House, 107-111 Fleet Street, London EC4A 2AB. Tel: 0171-955 0900. Fax: 0171-955 0901.

IT and Treasury Auditors

Major European investment bank

In excess of £40,000 per annum + substantial bonus

We have been retained to recruit a number of dynamic young qualified accountants for this major and well respected City player to join an established and developing audit function.

We are looking for candidates who offer:

- A recently gained, or anticipated, accountancy qualification.
- Relevant experience of external or internal risk-based IT auditing within the Financial Services sector, and/or exposure to treasury products.

The team is composed of around twenty professional staff, including a balance of technical IT auditors, product specialists, and generalist auditors. All work is undertaken by teams assembled to meet the needs of each specific project; thus there are excellent prospects for early management development.

The bank has recently committed itself to a major IT enhancement covering fully distributed global object oriented systems, electronic commerce, Java, and other leading edge technology. You need not have specific experience in these areas as training will be provided.

To register your interest please call Sean Elliott or Mark Wheatley at Parkwell Management Consultants on 0171-630 8000 or write, enclosing your CV, to 8 Wilfred Street, London, SW1E 6PL. Email: Parkwell@Compuserve.com. Alternatively telephone Mark outside office hours on 0171-920 0311.

PARKWELL

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The Organisation

As part of an International Europe top 250 company, this technology-based industrial group works in a high tech, dynamic market place. Supplying systems-based, indoor climate controls to blue chip companies, it is expanding rapidly and will double its turnover in the next two years. The organisation is seeking to complement its management team with the appointment of a commercial and IT focused finance professional.

The Role

As a senior member of the management team you will be responsible for:

- The production of management accounts including all forecasts and budgeting. Implementing corrective measures to alleviate variances and working proactively to control costs
- The development of internet/intranet communications
- Preparation of annual statutory accounts to draft level
- All finance, human resources and quality control functions
- Managing information technology throughout the business, suggesting and implementing improvements to reporting and administration systems
- As the management team co-ordinator you will represent the company at main board level, as well as externally in the UK

The Appointee

Educated to degree standard with a professional accountancy qualification, you will come from a varied industrial background, be customer focused and team orientated. Combining demonstrable leadership capabilities with strong interpersonal skills you will be a commercial, confident decision maker. You are required to be highly computer-literate with experience of project/contract costing within a commercial environment.

To apply, please write enclosing your CV and current remuneration details to Nikki Davenport, Hays Executive, 188-190 Spon Street, Coventry, CV1 3BB

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John Kay

Time to let go

Supervision should be replaced by regulation of areas where market forces are not enough to protect the public interest

The danger in Whitehall reform, as in the shift of responsibility for banking regulation from the Bank of England to an expanded Securities and Investments Board, is that the only thing that changes is the name on the brass plate by the door. In the offices behind the same people go on doing the same jobs. The change in institutions needs to be accompanied by a substantive change in what the institutions do.

What I have described as banking supervision is gentler, but more wide-ranging, than regulation. When I was in the school playground, I was supervised by my teachers. But now that I am grown up and responsible for my own actions, no one supervises me. My behaviour is regulated by the law, the police, and conventions about how decent people behave.

And we do not usually supervise other industries. There is no Board of Retailing Supervision. No authority asks supermarkets to submit their business plans. No one invites them to regular meetings to discuss their affairs, or passes on helpful hints about the good practice of their rivals. There are no raised eyebrows for them to watch.

Nor do we have a Board of Pharmaceutical Industry Supervision, or a Board of Restaurant Supervision, although we do have a Committee on the Safety of Medicines and we look to the Health and Safety Executive to monitor catering hygiene. But these are very different bodies. Their purpose is not to promote good practice in the industry and to encourage good management in businesses. They do not want to know about anybody's business plan.

Their object is to address specific and legitimate public

concerns and, if necessary, to take tough action to deal with them. There used to be supervision of some other industries. The Civil Aviation Authority once took on that role for British aviation, reviewing the financial soundness of operations and worrying whether fares were high enough to guarantee a profit. But such regulation has gone the way of Gosplan, the old Soviet Union's state planning agency. Today the CAA sensibly concentrates on issues such as the safety of aircraft and leaves tariffs and scheduling to airlines.

The Bank's supervision failed to remedy the dismal management and poor internal controls at Barings, the merchant bank which collapsed in 1995. But the right answer to this is not to say that supervision should be more rigorous. It is to ask why it is appropriate for a public authority to supervise Barings at all. The only victims of the collapse were those directly involved with Barings. The British monetary system and the external reputation of the City of London survived intact. Some other merchant banks were affected. Their customers wondered whether there were similar management failings there, and understood that they could not rely on the British taxpayer to bail them out. It is all to the good that they should

have asked the first question and learnt the answer to the second.

The whole concept of the supervision of an industry undermines the responsibility of management and customers for their actions. The Bank of England should not be held to account for the collapse of Barings. It is time to end supervision and replace it, as has happened in other industries, by regulation directed at those areas - the financial analogues of aircraft safety and drug testing - where market forces are not enough to protect the public interest.

Small savers are anxious to be able to make deposits in banks without risk of loss. It is not practical to suggest that they investigate the solvency of banks themselves. They have to rely on public reputation. That makes it necessary to ensure that these reputations are well deserved. Such a role demands the high-profile interventions of City regulators such as Inuro rather than the highly confidential activities of the Bank of England.

The further protection of small retail investors is best achieved by deposit insurance. But this cannot be made available unconditionally, and we need to monitor its terms and availability. There is no need for such a scheme to be universal, so long as it covers a wide range of institutions.



Barings Bank supervision failed to prevent the collapse

and the public knows who is - and is not - covered by it. The Deposit Protection Scheme meets some of these criteria but the upper limit of £20,000 is inadequate.

There are some institutions whose role in Britain's financial and monetary system is such that their collapse would endanger the UK payments and settlement systems. These companies have grown so large that they have assumed a central social and economic role and their solvency is, in practice, underwritten by the British government. That creates an inescapable need for government oversight of their activities.

But the best means of doing that is to insist on firewalls between the retail deposit activities of these institutions - which should enjoy government guarantees, accepting that the risk of failure is negligible - and their other operations where no risk of failure lies and where government guarantee is inappropriate.

The taxpayer, of necessity, stands behind the retail banking operations of Barclays Bank but should have no liability whatever for the proprietary trading activities of BZW, the investment bank of the Barclays group. But today the assets of one support the other. That means the Bank of England has a responsibility for BZW which it ought not to have, probably cannot realistically discharge, and which exposes it and the public at large to needless risk.

Since this implicit cross-subsidy from retail deposit-taking to other financial activities has been behind the increasing dominance of world capital markets by leading retail banks, we must expect these banks to oppose such a change. But the relationships of regulators are necessarily less comfortable than those of supervisors.



Engineering Leaders

John Parker takes about three telephone calls a month from people interested in buying his company - but he always turns them down. "We are determined to be our own masters. We'd rather invest long-term for the growth of the business than be beholden to an impersonal holding company," says Parker, chairman of privately owned Otter Controls, which makes thermostats for the domestic appliance and automotive industries.

Parker says that if the 51-year-old company, based in Buxton, Derbyshire, had been publicly quoted, it might not have maintained its record of channelling 10 per cent of sales into new plant and equipment, in good years and bad.

As a result of such policies production volumes have more than tripled in the past 10 years without any changes in staff numbers, and the company is looking for a further doubling of volumes in the next five years while keeping employment stable at about 800.

About 85 per cent of Otter's \$48m annual sales are exported.

Parker, who owns and controls the company with other directors and family members, scorns the idea that his business needs prodding from outside shareholders to stop it becoming complacent.

"Every day we have customers here from around the world. The personal contact creates its own dynamic and keeps us on our toes," he says.

Parker's comments illuminate the debate about whether businesses in "niche" areas of the engineering industry will have a better chance of long-term growth under private or public ownership.

Of 20 companies of this type studied by the Financial Times, half in Germany and the rest in the UK, virtually all the German ones are privately owned. The overwhelming view from these companies is that publicly traded equity can hamper growth.

Hartmut Mehdorn, chairman of Heidelberger Druckmaschinen, the world's biggest supplier of printing



Leaders: Geoff Edwards, managing director, and Ann Oxley, chairman, prize Oxley's independence

Some keep things to themselves

Peter Marsh examines the case for private ownership in niche engineering enterprises.

"There is something compelling about this company that makes me want to carry on," says Ann Oxley, the 61-year-old chairman and 90 per cent owner. She lives in a flat above the plant, tucked on to a converted mansion in Cumbria. On her death the company will automatically come under the control of Geoff Edwards, Oxley's long-serving managing director.

But private ownership is not the only way to success for the niche engineering manufacturer. The experience of a small number of publicly quoted British companies indicates that there is no fundamental block to such businesses becoming leaders in their field. Sprax-Sarco, the world's biggest maker of the steam control systems seen in a vast range of industries, from brewing to laundries, has built its business by channelling resources into informing customers of its capabilities.

It brings 6,000 customers a year to training sessions on steam control in its premises around the world. The company distributes product literature in 30 languages and has put 30 students through correspondence courses since the 1950s.

"Schools don't teach people about steam, so we do it," says Tim Fortune, the chief executive. The company hopes that this strategy will encourage customers to turn first to its products when they seek to improve their steam systems. "We are selling our customers' wealth," says Fortune, whose company has increased profits for every one of the 29 years since he joined and has three quarters of its 3,900 employees based outside Britain.

Fortune says his company's stockmarket quotation has not been incompatible with long-term success. The stockmarket pressures have had a benign effect through helping us to focus and to improve," he says.

The experience of German companies in these niche markets would suggest that private ownership has created the breadth and freedom they believe they need for strategic planning.

But British managements are showing that with a strong business focus it is possible to work within the potential strictures of public ownership.

BUSINESSES FOR SALE

NOTICE OF WORKS CONCESSION (Directive 93/37/CEE)

1 - CONTRACTING AUTHORITY
Chambre de Commerce et d'Industrie Nice Côte d'Azur
20, Boulevard CARABACEL
06000 - NICE (France)
Tel: (33) 4 93 13 75 05 Fax: (33) 4 93 13 75 00

2A - LOCATION OF WORKS PERFORMANCE
NICE-COTE D'AZUR AIRPORT
NICE-06200-FRANCE

2B-PURPOSE OF THE CONCESSION OF WORKS,
NATURE AND SCOPE OF SERVICES:
Reference of the project: A.E.I.
Purpose of the concession of works: Appointment of the beneficiary of an agreement of temporary occupation of a government-owned land within the airport area. The beneficiary will be responsible for financing, building and operating a real estate complex of 50,000 square meters intended to accommodate trade shows at the Nice Côte d'Azur Airport, and a parking of 25,000 square meters.

3A - DEADLINE TO SUBMIT APPLICATIONS: June 24, 1997 at 4 P.M.

3B - ADDRESS TO FORWARD APPLICATIONS:
Refer to 1 above - Direction des Grands Projets d'Equipements
Reference to indicate on the envelope: "A.E.I. - Appel à candidatures"

3C - LANGUAGE IN WHICH THE APPLICATIONS MUST BE DRAFTED
French

4 - PERSONAL, TECHNICAL AND FINANCIAL CONDITIONS TO BE MET BY THE CANDIDATES
The candidates, who can submit their applications either alone or in a group, will have to establish that they have financial capabilities as well as economic and commercial operating capabilities.
The financial capability of the candidate will have to be established by submitting relevant bank references, balance sheets and corporate accounts of the last three years or any other equivalent document as well as a list of similar transactions, in the establishment of which the candidate was involved.
The operating capability will have to be established by submitting references in the area of operations of showrooms or trade shows.
These references will have to be as precise as possible. They must indicate and describe achievements and projects from a commercial and economic viewpoint.
The candidate must be in order with his tax, tax related and social security obligations. The candidates who do not meet the conditions mentioned in Articles 24 a), b), c), e), f) and g) of Directive no. 93/37/CEE could be excluded from participating in the selection procedures.

5 - CONTRACT AWARD CRITERIA:
The selection procedures with respect to candidates to be chosen will be carried out in two phases. First, the shortlisting phase according to which the list of candidates authorised to submit a tender will be approved. Second, the final selection phase with respect to the tenders submitted by the candidates accepted.
Selection criteria of the candidates during the shortlisting phase:
• technical value (know-how and references)
• financial guarantees
Selection criteria of the tenders for the contract award:
• technical and commercial value of the tender
• financial conditions of the offer

6 - OTHER INFORMATION
Documents presenting the project and the major rights and obligations of the candidates are made available to the candidates at the address indicated in 3 above in exchange for a cheque of FF. 5,000 as guarantee. This cheque will be cashed if the candidate does not submit an acceptable application. The documents supplement the information given in this notice. Meetings to present the project and visits at the site can be arranged.
Additional information can be requested in writing to the contracting authority at the address mentioned in 3 above.

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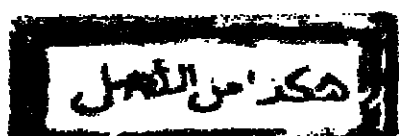
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CITY INDEX



ARTS

Literary Festival / Annalena McAfee

Morrison makes Hay

As the curtain-raiser to the UK's premier festival of literature, it was an unorthodox choice. But the 230 poets, playwrights and novelists appearing at Hay-on-Wye Literary Festival happily deferred to a practitioner of the lyric arts from the other side of the tracks.

Van Morrison, accustomed to performing in rock stadia accommodating tens of thousands, launched the festival with a sell-out concert in a 950-seat tent in the middle of a muddy Welsh field.

But why, in a celebration of prose and poetry which featured Harold Pinter and Martin Amis, Ariel Dorfman and Seamus Deane, give the opening honours to a harmonica-playing former window cleaner from Belfast?

And, since Morrison could command top billing at the world's biggest rock and

jazz venues, what was he doing here?

The answer can be found, obliquely, in Morrison's 1983 album *Inarticulate Speech of the Heart*. Here, in "Rave on John Donne", Morrison rhapsodised about the metaphysical poet ("Rave on John Donne, rave on thy holy fool/Down through the weeks of ages"). Walt Whitman ("nose down in wet grass/Rave on, fill the senses") and WB Yeats ("Rave on Mr Yeats, down through theosophy...through the writing of a vision...Rave on words on printed page").

This is a singer-song writer whose influences extend beyond Muddy Waters and Sam Cooke. Morrison has arranged set-

tings of poems by PJ Kavanagh and Padraic Colum (on the album *Celtic Heartbeat*) collaborated with Paul Durcan (on *Enlightenment*) and has recently performed on a WB Yeats tribute album. He is an enthusiast.

He also has ambitions of his own in this field: a proposed book of his collected lyrics includes some of his own unpublished verse. The poets Tom Paulin and Allen Ginsberg are among the subjects of Morrison's laudatory free verse, as is Frank Richards, creator of Billy Bunter - another great influence, apparently. Rave on, fat Owl of the Remove.

At Hay, however, these literary influences were not the fore, though Kenneth Grahame, author of *Wind in*

the *Willows*, got a sneaky look-in during the haunting "Piper at the Gates of Dawn".

Backed by an impeccable band, including George Farnham on keyboards and Pee Wee Ellis and Leo Green on sax, Morrison showed his latest album *The Healing Game* with an unprecedented exuberance. It was his musical roots, mired in blues, r&b, soul and the Irish ballad tradition, which were explored here in songs that covered the familiar Morrison themes of quest and redemption.

He has been criticised in the past for displaying a monochrome emotional range. This is the man, after

all, whose penultimate album featured such exultant songs as "Perfect Fit" and "Days Like This" alongside tracks called "Melancholia" and "Underlying Depression".

Exultation certainly featured in his Hay performance of the new album's title track, with its characteristic references to ancient roads and golden days, and there was an evocative melancholy in "Sometimes We Cry".

But, as any self-respecting metaphysical poet would tell you: exultation and melancholy - what else is there?

Usually the most taciturn of performers, Morrison was in an expansive, even generous mood, soliciting requests from the audience.

His voice, in the first of two sets of the evening, was in agile form, swooping and soaring between persuasive whispers, anguished growls and the occasional exhilarated yelp.

Throughout, he offered a renewed passion which even lent a freshness to his old standard "Moondance". With his horn section in full-swing he could have been a Blues Brother: Belushi without the shades.

All this and a flash of humour too as he left the stage, jauntily miming to the dying chords of his gospel-style "Burning Ground".

The poets, novelists and playwrights - and readers - of the Hay Literary Festival rose in a standing ovation.

Here was Van Morrison, singer-songwriter and would-be poet, a man at ease, playing to his peers.

■ *The Hay Festival (01497 821295) continues until Sunday, June 1.*

Dance / William Deresiewicz

A power beyond the human form

As with all artists who prove their genius young, the question about Mark Morris has been one of development. Would he move beyond the forms of beauty that seemed to come so naturally, and if so, in what direction?

By now, a first answer has taken shape, and as his company's recent New York season at the Brooklyn Academy of Music confirms, it bears a name until lately quite obscure - that of the composer Lou Harrison.

Harrison, instrumental in reviving interest in the work of Charles Ives in the 1940s, disappeared from view shortly thereafter. Now, after decades of contented and prolific isolation, he has emerged rather suddenly as one of the most influential and acclaimed composers in the US.

While mainstream artists chased the diminishing returns of serialism and minimalism, Harrison, from his Pacific home, turned his ear to the East, and to nature. His music is eclectic, urgent, sensual - full of gongs and passion. Morris himself has figured in Harrison's rediscovery. The two have obvious affinities.

Morris, also from the West, also cultivates an aversion to the New York establishment.

His work, too, combines a childlike sense of play with sophisticated taste and wit. He, too, draws from sources high and low, Western and "global".

And like the older man, Morris both embraces tradition and adheres to the highest standards of craft. Still, all this was true of Mark Morris long before he ran into Lou Harrison. What he has found in him is something entirely different.

Strict Songs (1987), his first Harrison work, celebrates the power and splendour of nature. The piece is not one of Morris's best, but its subject was significant for being so uncharacteristic.

For such a brilliant trombonist of feeling and situation, the dance suggested a desire to reach beyond the social world, towards forces that Morris could point to without yet knowing how to embody.

When he returned to Harrison five years later, he embodied them with a vengeance. *Polka*, a deceptively titled work, presents what appears to be a savage tribe consecrating itself for an act of slaughter. In a wide circle, in thunderous unison, the darkly clad figures perform percussive, threatening sequences to a driving rhythm that tightens and relents like a hand gripping your throat. Lines surge to and fro with the surging phrases of the score. There are no individuals here, only a single group goaded and fused by the music's ferocity. *Polka* has since

been incorporated as the finale of *Grand Duo*. The complete work fleshes out the picture of primitive collectivity, but neither primitivism nor collectivity is its ultimate subject.

While dance cannot help but use the human form, *Grand Duo* uses the human to look beyond the human, towards the gigantic realities that make and dwarf the body and its passions.

In Edmund Burke's terms, Morris has begun to aim at the sublime - at the terrifying and powerful and obscure. But power and terror have human sources as well.

Not a conspicuously "political" artist, two years ago Morris created *World Power* to selections from Harrison's *Homage to Pacifica* and *Bubara Robert*. The work, a treatment of American imperialism dotted with images of arrogance and slaughter, harnesses the steamroller force of its score. Like the ocean waves that Harrison has listened to for so long, music and dance possess a relentless and suffocating energy.

Harrison is Morris's main path into the sublime. Before *Grand Duo* came *Behemoth* (performed in silence), just afterwards *Mosaic* and *United* (Henry Cowell). The obscurity Burke spoke of marks each of these works.

Morris's genius turns naturally towards clarity and legibility - two, indeed, of his most winning virtues.

Since *Behemoth*, however, he has become willing to risk enigma, even abstraction. In attempting to render what is least subject to control, he has relaxed control over both his audience's responses and the workings of his own intuition.

Rhymes with Silver extends these trajectories. Offered in New York as the centrepiece of an all-Harrison evening, the work is one of Morris's first to a commissioned score. Harrison furnished a highly diverse series of 12 short movements, and Morris responded with a dance of monumental variety and scope.

The work takes us through pride, serenity, humor, pathos, ecstasy. We see precise music visualisation, haunting imagery, top-like spinning à la Laura Dean, even ballroom dancing.

As much as anything, we see East European folkdance. That it is an embodiment of ancient force and feeling Morris and Harrison have demonstrated before - hence, *Polka*. It is also where Morris began his life onstage, as a teenage member of a Balkan folk ensemble. In striding forward, he is also characteristically circling back, finding the new in the old, making for the past a home in the future.

Theatre

Escape to Beach Blanket Babylon

Antony Thorncroft is pleasantly disappointed by this vibrant if tame musical

Beach Blanket Babylon Arts Theatre's *Beach Blanket Babylon*, "the longest running musical revue in American history", is currently in London for the shortest possible time - for the two-week run of the BOC Covent Garden Festival. This San Francisco *jeu d'esprit* is a pleasant disappointment, pleasant because the music is attractively eclectic and brightly performed, a disappointment because the prospect of outrageous camp is cruelly frustrated.

San Francisco prides itself on being the gay capital of the US, and an entertainment built around impossible costumes, notably hairpieces that would make Madame de Pompadour weak with envy, promises much.

If you enjoy seeing artists balancing everything from a vast shopping hamper to an (almost) full-sized model of 'Frisco on their heads, this is your eighth Heaven. But if you expect the gay community to present a musical heaving with bitchy innuendo and salacious gossip, wise up: *Beach Blanket Babylon* is about as malicious as Bambi.

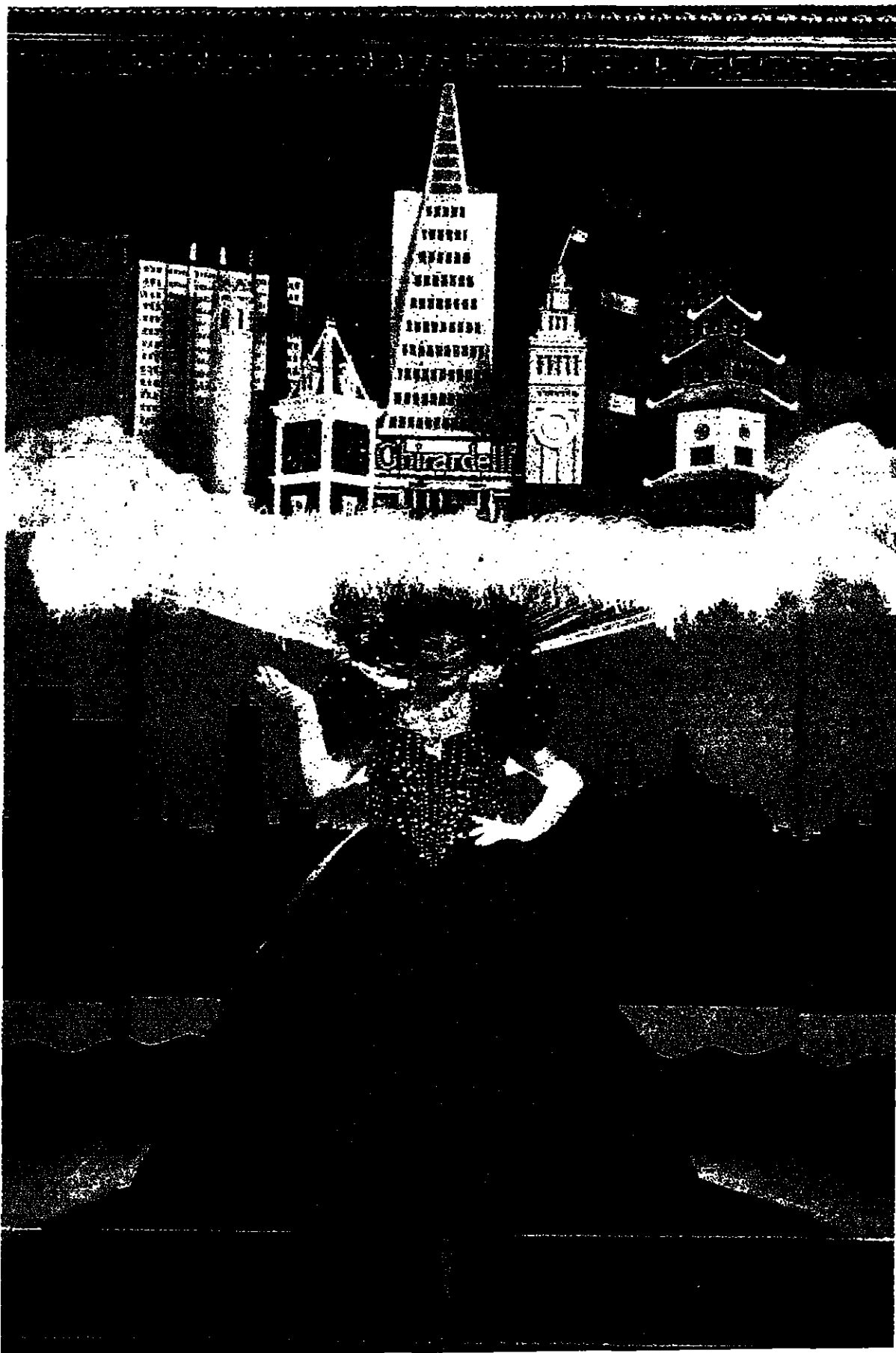
The show has been constantly freshened up since it was created 23 years ago by Steve Silver and Armistead Maupin, and new material has been added for London. For some reason Della Smith has been selected as the British totem, but there is a

cameo featuring the Queen and her three wayward sons.

In the main, though, this is a celebration of American music, featuring every imaginable gay icon from Barbra Streisand, viciously captured by a man, to an indubitably female Madonna, all spiced up with the kind of costumes gays would wear to the Hairdresser's Ball. The songs dash rapidly from 1930s standards to 1970s soul, via the Beach Boys, and the eleven-strong mixed cast sing their socks off and dance their dreams out.

There is a naive linking plot - Snow White seeking her Prince under the world - which enables director Kenny Mazlow to introduce cheap jokes, familiar sight gags, and heaving headgear from Paris, Rome, London, and wherever. If the overall effect is like watching a camp cabaret after the censor has rinsed out the blues, there is still enough pleasure to be gathered from the exuberant cast, the vibrant music, and the carefree staging to make an enjoyably escapist 90 minutes.

And the final tableau, at which Snow White, who has given up her hunt for a foreign Prince to marry the "King", carries on her head the burden of both an illuminated wedding cake, and a mechanised doll's house of Buckingham Palace, does impress. London is not short of musicals, but if you like them hairy, happy and wholesome then *Beach Blanket Babylon* is for you.



High-rise hats: Val Diamond with 'Frisco balanced atop

Christopher Bowen

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Rijksmuseum Tel: 31-20-6732121

● The Nude - Prints, drawings and photographs: nude figures have long appeared in scenes from the Bible and mythology. In this exhibition artists spanning five centuries give their individual interpretations of these figures: Adam and Eve, gods such as Mars and Venus, and many other heroes and saints; to Aug 3

BALTIMORE

EXHIBITION
Baltimore Museum of Art Tel: 1-410-936-6300

● Celebrating Baltimore's Birthday: exhibition featuring a selection of paintings and decorative art representing the work of the city's artists; to Dec 31

BERLIN

CONCERT

Konzerthaus Berlin Tel: 49-30-203090

● Richard Waage and Marion Hofmann: the flautist and harpist perform works by Saint-Saëns, Fauré, Debussy and Ibert; Jun 1 Philharmonie Berlin Tel: 49-30 254 89 254

● Maurizio Pollini: the pianist performs works by Beethoven; Jun 1

CAMBRIDGE

EXHIBITION
Fitzwilliam Museum Tel: 44-1223-332900

● Shakespeare and the Eighteenth Century: exhibition examining interpretations of Shakespeare by visual artists in the 18th century. On display are drawings and prints by artists including Romney, Blake and Barry alongside portraits of actors, authors and composers associated with the playwright's work; to Jun 29

CHICAGO

THEATRE
Steppenwolf Studio Theatre Tel: 1-312-3351888

● A Streetcar Named Desire: by Williams. Directed by Terry Kinney. The cast includes Rick Snyder, Kathryn Erbe and Lalla Roberts; to Jun 15

LIVERPOOL

CONCERT
Philharmonic Hall Tel: 420 20 2110 5111

● Royal Liverpool Philharmonic Orchestra: with conductor Libor

Pesek and violinist Josef Suk in works by Strauss, Suk and Dvorak; 44-151 708 2895; May 31

LONDON

CONCERT
Wigmore Hall Tel: 44-171-9362141

● Arts Quartet of Vienna: performs works by Mendelssohn, Zemlinsky and Brahms; May 31

EXHIBITION
British Museum Tel: 44-171-6361555

● Ancient Faces: Mummy Portraits from Roman Egypt: exhibition displaying nearly 200 mummy portraits on wooden panels, linen shrouds and coffin lids made between the 1st and 3rd centuries AD; to Jul 20 Concourse Gallery Tel: 44-171-6368891

● Janet Nathan - Constructions 1979-1997: retrospective exhibition covering the British artist's work over an 18 year period, charting her preoccupation with river and seascapes, produced using found materials and crafted forms; to Jun 8 Victoria & Albert Museum Tel: 44-171-9368500

● Experiencing Modernity: The Arts of Reform and Persuasion 1885-1945: exhibition exploring the role designs have played in shaping society's opinions and values, rather than reflecting them; to Jul 1

LOS ANGELES

EXHIBITION
Los Angeles County Museum of

Art Tel: 1-213-657-6000

● Converging Cultures: Art and Identity in Spanish America: featuring more than 250 objects, this exhibition focuses on the rich and fascinating period of history between the Spanish arrival in the Americas and the independence movements of the 19th century. Rather than concentrating on the commonly held notion of Spanish versus Indians, the exhibition highlights the ways in which these two distinct populations influenced one another and how they gained creatively from this interaction; to Jun 8 MOCA at California Plaza Tel: 1-213-626-6222

● Mark Morrisroe: Polaroids: display of works by the influential photographer, featuring self portraits and portraits of friends and lovers, taken between 1977 and 1989 with a 195 Polaroid camera in mostly bleak domestic settings; from Jun 1 to Sep 14

MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270

● Franzisk Kupka and Otto Gutsmuth: display of more than 200 works by the abstract artists from the 1920s and 30s, both inspired by musical rhythms; to Jul 20

NEW YORK

EXHIBITION
Guggenheim Museum SoHo Tel: 1-212-423-3840

● Art/Fashion: exhibition examining the exchanges

between visual art and fashion design through a selection of sketches, watercolours, sculptural works, garments, photographs and installations. Works by artists including Christo, Warhol and Shea will be on display alongside garments designed by Coteau, Dali and Ballo; to Jun 8 The Metropolitan Museum of Art Tel: 1-212-879-5500

● The Gods of War: Sacred Imagery and the Decoration of Arms and Armour: display selected from the Museum's own collection of arms and armour, exploring the use of sacred imagery in the decoration of weaponry in different cultures around the world, including the Middle East, India, Tibet and China; to Oct 1

MUSICAL
Martin Beck Theater Tel: 1-212-239-6200

● Whistle Down the Wind: by Lloyd Webber/Steinman. Directed by Harold Prince. The cast includes Irene Molloy, Davis Gaines, Candy Buckley, Lacey Hornholt, Abdi Hutchinson and Cameron Bowen (not on Mondays) (prev. ending date); to Dec 31

PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33

● Chemin faisant, Frère Crayon et Sainte Gomme: Designs de Martial Rayssé, 1958-1996: display of some 100 drawings by the French artist who came to prominence in the early 1960s as part of the New Realism, quickly

gaining a reputation for a more modern outlook than his nostalgic contemporaries; to Jun 9

FESTIVAL
La Sorbonne Tel: 33-1 42 62 71 71

● Festival de Musique en Sorbonne: features performances by Ensemble Spirale, the Choeur and Orchestre de Paris-Sorbonne, Christophe Simonet and Trio Cappa. The opening concert is by the pianist Marie-Joséphine Jude, performing works by Brahms and Schubert; from Jun 3 to Jun 24

ROME

EXHIBITION
Galleria Nazionale d'Arte Moderna Tel: 39-6-322 981

● Ferruccio Ferrazzi: Dipinti E Disegni Scritti, 1916-1917: display featuring 50 drawings, produced by the Italian artist during his stay in Switzerland during the First World War. Ferrazzi's work shows the influences of Futurism and the Roman School; to Jun 15

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211

● Oleg Maisenberg: performance by the pianist. The programme includes work by Shostakovich and Schnittke; Jun 1, 2

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Out on its own, in the cold

Ukraine, now free of Russia, must not let its economy collapse, writes Chrystia Freeland

For five centuries, Russia has measured its success by its success in extending the Muscovite empire, and one of its most prized targets has always been Ukraine. Even Lenin warned his revolutionary, nominally anti-imperialist, comrades that "to lose Ukraine is to lose our head".

But if Mr Boris Yeltsin makes a long-promised - and many times postponed - trip to Kiev today, it will be formally to admit that Ukraine has been lost. The Kremlin chief's planned visit is to conclude a friendship treaty which would be Russia's first official acknowledgement of Ukraine's independence and of the integrity of its borders.

Whether it is signed, or yet again postponed, the deal is being closely watched throughout the former eastern bloc as a test of Russia's post-imperial transformation. Both the former Soviet republics and the countries of eastern Europe see a solidly sovereign Ukraine as a guarantor of stability in the region and as a crucial counterweight to Russia.

Nato and the west, led by the US, agree, Ukraine, whose existence is seen as insurance against the re-emergence of an expansionist Russia, is the third largest recipient of US foreign aid. It is also one of the most enthusiastic participants in Nato's partnership for peace programme, designed to foster co-operation between the alliance and the former Warsaw Pact.

But for Russia, signing a friendship treaty with Ukraine has proved immensely difficult. A measure of this sensitivity is the fact that, over the past two years, Mr Yeltsin has six times cancelled planned trips to Kiev to sign the deal. As Mr Volodymyr Horbulin, the head of Ukraine's national security council, explains: "They cannot come to terms with the fact that Ukraine is now an independent country and they cannot accept us as an equal partner."

This delicate relationship with Russia made many observers sceptical of Ukraine's ability to break away when its leaders first began to move towards independence in the early 1990s. Many analysts predicted it would swiftly be riven by bloody internal divisions

between the Russian-speaking east and the fiercely patriotic west. Others prophesied a bloodbath in Crimea, where pro-Russian separatists briefly held control.

Nearly six years on, none of these disasters has come to pass. Ukraine, which has been independent on only three brief occasions in the past millennium, has been relatively successful at managing its domestic and foreign politics. Apart from the admirable Baltic republics, it is the only country in the former Soviet Union which has managed the post-communist transition without an outburst of bloody civil conflict or a resort to blatantly authoritarian rule. Ukraine has also found a tentative balance between moving closer to the west without unduly antagonising Russia.

"This place has not ruled itself for three centuries, and this century itself has been godawful," one western ambassador in Kiev says. "In only six years the political progress has been heartening. There's a new constitution which passes all the international tests. The country has put itself on the map of the world and managed its relations with its neighbours quite well."

But this rosy picture may be darkening. Over the past few months, an ambitious reform programme has stalled and a spate of corruption scandals has surfaced, leading to a reversal. Without swift, radical change, the economy could shrink by as much as 8 per cent this year, exacerbating the painful drop of 10 per cent in 1996, says Mr Anders Aslund, a senior associate at the Carnegie Endowment for Democracy who is an adviser to the reform wing in the cabinet.

In their bleaker moments, businessmen and politicians warn that economic disintegration threatens. This could take the form of an Albanian-style popular revolt, or a reversion to authoritarian-



Delicate relationship: Kuchma (left) and Yeltsin

ism and a clamouring for reunion with Russia, as happened in Belarus.

"People in the west who are interested in peace and security and democracy are concerned," says Mr William Senkiw, head of the Kiev office of accountants Arthur Andersen, and a five-year veteran of Ukraine's rocky business environment. "How long before people start looking for the Belarus or Albanian solution?" he asks.

Such grim predictions are born of fears that Ukraine's fragile market reforms may have frozen, or even begun to be reversed. Without swift, radical change, the economy could shrink by as much as 8 per cent this year, exacerbating the painful drop of 10 per cent in 1996, says Mr Anders Aslund, a senior associate at the Carnegie Endowment for Democracy who is an adviser to the reform wing in the cabinet.

Ukraine's economic malaise is unusual, because the country has been relatively successful at achieving the first, and often most diffi-

cult, task of the post-communist economic transformation: macro-economic stabilisation.

Over the past two years it has reined in inflation - the government predicts an annual rate of between 14 and 17 per cent this year - and introduced a new national currency which has appreciated slightly against the dollar over the past few months. By regional standards, Kiev's public finances are relatively robust. It is expected to run a budget deficit of just 4 per cent of gross domestic product this year and, in the first four months of 1997, collected 92 per cent of expected tax revenue.

But this fiscal and monetary virtue threatens to be sabotaged by the state's failure to liberalise the economy and a consequent epidemic of corruption. Local businessmen tell horror stories of dozens of permits, and thus dozens of bribes, being required to complete the simplest transaction. Bigger scandals surround lucrative sectors such as the gas, electricity and grain markets,

which have existed in a twilight zone between state and private control that has offered government cronies opportunities for wild enrichment.

"Effectively it is the government that now blocks economic development," says Mr Aslund, who, like most observers, blames most of the rot on Mr Pavlo Lazarenko, the prime minister.

If the economic free-fall continues, Ukraine could be transformed from the geopolitical anchor it has become over the past five years into a source of regional instability. With more than 50m people and borders with Poland, Hungary, Romania, Slovakia, Russia and Belarus, this would have serious implications for much of eastern Europe.

Economic deterioration could also undermine the fragile entente between Ukraine and Russia, tempting conservative factions in the Kremlin to try to reunite with Ukraine, as they attempted to do with Belarus earlier this year. The danger in Kiev is sufficiently acute that two weeks ago a massive Ukrainian government delegation - led by Mr Leonid Kuchma, the president, but pointedly excluding Mr Lazarenko - was summoned to Washington for a dressing-down.

Ukrainian reformers see America's "tough love" as the possible catalyst for a turnaround in government policy. They are hoping that, under pressure from the US, Mr Kuchma will sack his prime minister and hand the economic initiative to pro-market ministers - including the ministers of justice, finance, the economy and of a special reform portfolio - already in the cabinet.

"We learnt that the US is tired of helping and not getting results," says Mr Igor Mitushev, Ukraine's minister of finance. "It is very good that this criticism is coming now, when we can still do something to correct our course." Ukraine's tragic history has produced a darkly stoic people. Even the national anthem begins with the rather bleak declaration that "Ukraine has not yet died". But if Ukraine does not act on US criticism and allows its economy to collapse, the fragile post-cold war political order in eastern Europe could be thrown into turmoil.

Europa

EU's give and take

Subsidies and membership fees should be cut to limit the harmful effects of transfers



Every year the Swedes pay about SKr20bn (or \$2.6bn) in membership fees to the European Union and receive approximately half of this money back in the form of grants. This raises the question why there should be a policy of giving with one hand and taking with the other. Why not waive the subsidies and halve the membership fee?

The extensive transfer systems in Sweden have been the subject of review and criticism in recent years. The EU budget and the transfers through it have not, however, been subject to review - even though the percentage of transfers within the EU's budget is greater than in Sweden.

The redistribution between countries and interest groups clearly has harmful effects. Transfers have to be financed by taxes that have negative effects on growth while redistribution makes recipients dependent on support. Moreover, the transfers pose a threat, *inter alia*, to the expansion of the Union in central and eastern Europe and might damage the positive effects of a single currency by preserving old structures.

Recently, a report from the Stockholm-based Trade and Industry Information Group presented an alternative view of public sector spending in Sweden. It broke down the expenditure into the relative importance of public sector solutions. Expenditure on defence and the legal system are viewed as genuine expenses on behalf of the state, while other government spending could be avoided through private solutions.

The review shows that approximately 5 per cent of Sweden's public sector

spending comprises transfers to interest groups. Expenditure on regional, housing and trade and industry policies is included in this category. By the same definition, no less than 75 per cent of the EU's budget comprises transfers to interest groups.

Almost half of the EU's budget goes on agricultural subsidies - a stubborn leftover from the earliest years of the EU. Just over one-third is invested in structural measures within the member states through structural funds. The majority of this money is reserved for regional ventures.

One reason why the EU charges fees, only to be paid back to the member states, is a desire to even out the standard of living within the Union. Capital is transferred from more wealthy countries to less wealthy ones. But even net payers, such as Sweden, receive EU grants. Approximately half of the nearly SKr20bn which Sweden pays to the EU comes back in the form of agricultural, structural and research grants.

This monetary circulation is unsustainable in the long run, given the extra taxes required to finance increased undertakings by Brussels. Furthermore, the agricultural subsidies hinder the eastern expansion of the EU. Several eastern bloc countries have economies which are both weak and dependent on agriculture. Under current rules, the subsidies would exceed all reasonable limits, as well as impede the process of rejuvenation. A reform of agricultural subsidies is a prerequisite for expansion of the EU.

In one respect, the EU's agricultural policy could be said to have succeeded. Almost all agricultural policy decision-making authority lies at EU level. But if the EU is to function effectively, there must be a clear division of decision-making powers between national and supranational levels. This division is, in every significant respect, absent with regard to structural policy.

Labour market and regional policy measures, for example, along with support

for research and development (R&D), are handled both at national and Union level, which leads to work being duplicated.

The massive regional policy investments by the EU also create problems with regard to the introduction of a single currency. Countries with high unemployment have previously been able to devalue their way out of crises at the expense of a reduction in real pay. With a single currency, this instrument would no longer be at their disposal. If unemployment is to be reduced, what is needed instead is a better climate for companies and increased labour market mobility. In practice, the EU's regional policy investments counteract both of these requirements.

If the situation does not change, the countries where growth and employment are on the increase risk having to pay ever higher fees to the EU to bolster weaker economies. The percentage of transfers within the EU budget would then become even greater and the anticipated efficiency profits in connection with a single currency would be reduced.

Not all taxes via the EU budget need to be abolished. Supranational measures can be effective in certain areas such as R&D support. In most countries it is state subsidised: transnational co-operation might be considerably enhanced if projects could be financed by the EU.

Our conclusion is that Sweden should request a reduction in its fee to the EU by a quarter in return for waiving its entitlement to a corresponding sum. Reductions of fees and subsidies should be an option for other nations. It is vital that politicians take up this issue.

Göran Tunhammar and Carl-Johan Westholm

Tunhammar is director-general of the Swedish Employers' Confederation; Westholm is director-general of the Swedish Federation of Private Enterprises

LETTERS TO THE EDITOR

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Successive French governments out of touch with electorate

From Mr J.H. Sheffner

Sir, As usual, Dominique Moll's article is on the mark ("Consensus of discretion", May 28). Depression rearing towards reform with feet of clay, the two "locomotives" of European Union have become the two "lame ducks". And who wants to be led by lame ducks?

The right has signally failed to deliver, retreating at virtually every sign of opposition to modest reforms. On the left an unreconstructed Socialist party, in alliance principally with the Communists, could well be voted into power next Sunday with similar policies to those which helped create the current mess.

One despairs, for nowhere on the political horizon is there any sign of a politician of stature who not only understands the problems but sees the solutions and has the guts, the vision and staying power to implement

them. And while France is engaged in reverse gear, the international pace of change is accelerating.

In the UK things work in spite of the government. In France, things don't work because of the government. Simplistic, but essentially true.

They work in the UK because of deregulation and the reforms to government, the labour market and to the trade unions introduced since 1979 - a date which in itself emphasises how far France has fallen behind. Just think what could happen to a country which invented "Le système D" if whatever government is returned next week were to do likewise and really "get off the people's back".

A foregone hope?

J.H. Sheffner, Champ de Magna, 46340 Laverantiere, France

Favourable to trade with poor nations

From Professor Jagdish Bhagwati

Sir, Messrs Slaughter and Swagel (Letters, May 28) are right to dispute Professor Adrian Wood's rebuke (Letters, May 9) of Martin Wolf for being too sympathetic to those who argue that trade with the poor countries is not significantly hurting our workers. Wolf referred ("Global opportunities", May 6) to Slaughter and Swagel's statement in an International Monetary

Fund paper that no more than "10-20 per cent" of the decline in real wages was due to trade.

But in arguing that there is a consensus that trade has only a moderate adverse effect, they concede too much. Most trade scholars think the effect is negligible, while I have recently concluded (in a forthcoming paper *Play it Again, Sam: Yet Another Look at Trade and Wages*) that it is even favourable. These studies are

analytically more compelling than the studies from labour economists which tend to produce the larger (if moderate) adverse inferences that Slaughter and Swagel have averaged out, to produce their consensus range. Such averages appear to give a "balanced" view but have no scientific validity.

Jagdish Bhagwati, economics department, Columbia University, New York, NY 10027, US

Not present at ambassador's appearance

From Ms Kathy Bloomgarden

Sir, In your Observer column of May 18 you referred ("Swiss image gets a polish") to my supposed role in the recent appearance of ambassador Thomas Borer of Switzerland before the US Senate banking committee. Although the writer urged that I spend "more time behind the cameras than in

front of them", I was not even present when ambassador Borer made his remarks to the committee.

Nor, as the writer suggests, was either Ruder Finn, or I personally, working for Volvo or Pehr Gyllenhammar when the Renault merger was under consideration, or even in the years just preceding that period. Whoever provided

that misleading information was clearly not living up to the high standards of factual reporting which are basic to the Financial Times' tradition.

Kathy Bloomgarden, president, Ruder Finn, 301 East Fifty-Seventh St, New York, NY 10022, US

Public must pay for museums

From Mr David Sowers

Sir, Mark Fisher, new UK minister for the arts, should realise that a government's decisions about its expenditure ought to be based on priorities for the future, not what has been spent in the past ("The importance of being cultured", May 23). The public may have paid for the collections in the national museums, but most of this public is now dead.

The living public is concerned about the way in which its future taxes are spent, and the majority, according to British Social Attitudes, wants less spent on the arts but more spent on education and health. If Mr Fisher is determined to introduce free entry to all museums, he will either have to provide more money or see the museums cut their expenditure. If he seeks to provide more money, he will have to decide what activity deserves less money. Opera? Dance? Theatre? I doubt if any of these options will appeal to him, even if the majority of the public would applaud any arts.

Free entry to museums may seem desirable among the urban middle classes, who provide most of the native visitors to the London museums. But is it rational to insist that visitors, most of whom can afford to pay something, should pay nothing? Many old Labour policies have benefited the better-off rather than the poor. One might have hoped that New Labour would have meant new thinking about the priorities for public expenditure.

New thinking, it would seem, is limited to believing that if government cannot intervene to make industry more efficient, it can intervene to make the public more creative.

David Sowers, Crosby, 10 Seaview Avenue, Angmering-on-Sea, Littlehampton, West Sussex, UK

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Friday May 30 1997

Protest votes in Indonesia

Well before the official results are published, it is clear that the result of yesterday's Indonesian election will be a victory for the ruling Golkar party on paper only.

This was one of the most violent campaigns in memory, marked by unexpectedly emotional demonstrations of support for opposition leader Megawati Sukarnoputri. The carefully orchestrated election was supposed to reinforce the legitimacy of president Suharto's regime. It appears to have done the opposite.

That should worry multinational companies which have committed \$70bn in direct investment over the past two years. Indonesia has suffered less than its neighbours from Asia's slowdown. But with more than 2m youngsters entering the labour force each year it must maintain a high growth rate, and the political risks are mounting.

Judging by the strength of Jakarta equities and the rupiah yesterday, financial markets are assuming the street violence will abate now the campaign is over. So it might for a while, but there have been repeated riots across the country since January, and the underlying problems have not changed.

Indonesia's urban poor are disenchanted by the extent to which a minority has benefited

from recent rapid growth. The masses want enfranchisement, while the middle class, which accounts for less than 10 per cent of the 200m population, is too small to be a stabilising force.

At 75, Suharto is growing old and there is no obvious successor. The prominence in the campaign of one of his daughters, his Siti Hardiyanti Rukmana, has prompted speculation that she may be angling for the succession. That would go down badly with a public upset by the manner in which the Suharto family has enriched itself during his tenure.

Until the succession is settled, political uncertainty will continue to dog the country. That puts the army in a difficult position. It must keep order in the streets, but it must also avoid being seen internationally as an agent of repression.

The job description for the successor is awesome. What is required is a statesman who can steer the country towards political pluralism, while preserving national unity and social stability. He must enjoy the confidence of the army and may be forced to protect the Suharto family from political reprisals.

In three decades Mr Suharto has raised per capita output from just \$70 to \$1,300. That is a considerable legacy, but it will be threatened unless he sets an orderly succession in train.

Reality Czech

The Czech central bank spent nearly \$3bn, a quarter of its reserves, before the government bowed to the market's judgment that the Czech koruna was overvalued. But the revamped coalition government just formed by Mr Václav Klaus still faces an uphill struggle to convince investors that the floating of the currency and related measures are more than just an austerity package to deal with a short-term crisis.

This is partly because Mr Klaus, who took the credit for macroeconomic stability and what used to be perceived as a successful mass privatisation programme, only reluctantly conceded that changes were needed in the government's economic policy. He remains the dominant force in an only partially rejuvenated government, and has yet to demonstrate that he has the will to restructure the country's industries, banks and financial institutions.

The danger is that investors will regard these measures as just another instalment of the previous package, introduced in April. This cut government spending, capped public-sector wage increases and restricted imports, but left the impression that the government was only tinkering with the engine rather than changing course. It was that impression which left the koruna so vulnerable.

Devaluation, together with

additional measures to cut social security spending, should give the government a breathing space and help improve Czech competitiveness. The short-term costs will be higher inflation and unemployment, coupled with lower wages and output. Growth, which was stagnant over the first quarter, could be negative for the year as a whole, further curbing imports.

The crucial test for the new government, however, is not simply whether it can restore macroeconomic stability. Just as important to investors will be whether the government will introduce legislation to set up a US-style Securities and Exchange Commission by the May 31 deadline, as promised, and press ahead with privatisation of the banks and other financial-sector reforms.

All of these measures are needed to correct the negative consequences of a mass privatisation programme which left many Czech enterprises without effective owners, and beholden to investment funds controlled by banks which encouraged them to borrow rather than raise equity funds and bring in new shareholders. Mr Klaus will be judged on his ability to break these incestuous links and provide the transparency which Czech companies and markets desperately need. That process should start now.

UK lottery

Mr Chris Smith, the heritage minister, is very angry indeed. He said so on the radio, before summoning the directors of Camelot, the national lottery operator, to hear his displeasure. He was so angry that he hurled the word "profiteering" at a bonus scheme operating quite properly under the terms of the government's franchise.

No doubt the news from Camelot that executives' remuneration was to rise 40 per cent after a year in which sales fell 10 per cent was a bit tactless. Even with \$4.7bn of punters' cash sloshing through the accounts, most going to the government or to "good causes", the directors might have remembered the public's fascination with other people's lucky numbers.

These bonuses related to performance two years ago. A 53 per cent rise in the chief executive's pay package to \$580,600 looks steep. But this is a matter for the shareholders. They are large companies with power to pull the lotto-bosses into line if they are taking too big a slice of the action. However, the shareholders may not grudge the pay-offs. By international standards, Camelot operates cut-throatly. It has completed its task of installing 36,400 lottery terminals, and it has shown itself to be good at thinking up winning ideas to keep the nation dreaming improbable dreams of gold.

If some of the results are disastrous, or harmful to low

income gamblers, Camelot is hardly to blame. The last government established the lottery as a private sector monopoly charged to scoop in as much cash as possible. Camelot won the franchise in fair competition, when it was judged that the best results would be achieved by a company with a strong profit incentive. The company has exceeded expectations in this respect and is well on the way to achieving its target of raising \$9bn for worthy causes. In this context, its after-tax profit of 1 per cent of sales and running costs of 3.5 per cent may not be excessive.

It does not follow that the lottery should be run by a profit-making monopoly for all time. However, before scurrying towards nationalisation, the government should consider whether good causes would get more out of a company forbidden to make profits or from a management "not rewarded for performance". It might do better to consider whether to allow competition into the lottery business. Although this could reduce overall revenues, it could increase choice to the public and indicate whether bonuses and profits really were earned.

But there is no hurry. Camelot's franchise runs for another five years, time enough for Mr Smith to weigh the options. Unless, perhaps, he prefers instant outrage on the breakfast shows.

In storm-tossed waters

Helmut Kohl's determined pursuit of Emu has brought him into bitter conflict with the Bundesbank, says Peter Norman

It was a glittering occasion. The 65th birthday celebrations last August for Mr Hans Tietmeyer, the Bundesbank president, saw Germany's political and financial elite converge on the nation's central bank in Frankfurt.

Especially gratifying for Mr Tietmeyer was the speech of the guest of honour, Mr Helmut Kohl, Germany's chancellor. He departed from his prepared text to pledge that Bonn would allow "no rotten compromises" on the road to European economic and monetary union.

Nearly nine months later, on May 15 1997, Mr Theo Waigel, Germany's finance minister, is making a flying visit by helicopter to a meeting of the Bundesbank's central council in Frankfurt. His mission is to broach the idea of a change to the Bundesbank law to revalue Germany's 50m ounces of gold reserves and use some of the DM40bn (\$23.5bn) of extraordinary profits that would accrue to the bank to meet the Maastricht treaty criteria for Emu.

If Mr Waigel can place the proceeds of the revaluation in an existing government "redemption account" for historic burdens this year, he will be sure Germany has a public deficit below 3 per cent of gross domestic product. Total public debt will be close to the 60 per cent of GDP specified for countries joining the planned European single currency.

The next day, in a packed Bundestag, Mr Kohl stridently sweeps aside angry opposition complaints that the government is guilty of "creative accounting" of the sort it has so often criticised in other EU nations.

These are three snapshots en route to a bust-up that has put the Bonn government and the Bundesbank on a collision course and spawned serious doubts about the single currency and the stability of German politics.

The fury of this week's row between Bonn and Bundesbank over Mr Waigel's plan to revalue Germany's gold reserves this year to help Germany qualify for Emu is not without precedent. But the conflict is more than usually flammable because the two institutions ranged against each other - Mr Kohl and the Bundesbank - are desperate to secure their place in history.

The row comes in a bad week



for Emu. Opinion polls suggesting a win by the French left in the final round of the national assembly elections on Sunday have increased uncertainty surrounding France's ability to qualify for the single currency.

In Germany, a complaint to stop Emu has been lodged with the constitutional court and opinion polls continue to show two-thirds of the population opposing the single currency.

Although the Bundesbank is not opposed to Emu, its accusation that the government's action would undermine the credibility and sustainability of the planned single currency has for the first time provided a respectable focus for those who want to keep the D-Mark. Until now Chancellor Kohl has been able to prey on people's fears of appearing unpatriotic or extremist should they refuse to support his drive for ever closer European integration.

The Bundesbank's charge that the government is threatening its independence has also turned the dispute into a highly political affair. The central bank is one of Germany's few revered institutions and the idea that its independence can guarantee monetary stability is strongly rooted.

The danger facing Mr Kohl is that the scheduled loss of the D-Mark and the replacement of the Bundesbank by the European central bank from 1999 could trigger a powerful political backlash among an electorate already unnerved by high unemployment, shrinking welfare benefits and the widely perceived threat of higher taxes.

If voters now have grounds to fear that the euro will be a soft, inflation-prone currency, the chances of Mr Kohl winning a fifth general election victory term in September next year could nose-dive.

In these circumstances, it does not matter that the Bundesbank agrees with the government that the gold will have to be revalued at some point as part of the procedure of starting the euro-area from January 1 1999. Finance ministry promises that only about half of the expected DM40bn gain from the gold revaluation will be channelled to Bonn are falling on deaf ears.

The Bundesbank has won the moral high ground with its rejection of the government plan. The few daily newspapers that appeared yesterday - a public holiday in much of Germany -

were unanimous in their condemnation of Bonn and fully supportive of the central bank.

To a large extent the government has itself to blame for the mess. It emerged this week that Mr Tietmeyer had warned against a gold revaluation at a closed meeting of the Bundestag budget committee on March 19, arguing that it could cast doubt on the credibility and solidity of financial policy and generate turbulence on financial markets.

On April 17 Mr Tietmeyer aired some of his concerns in public, telling a press conference that gold revaluation was a matter for the governing council of the European central bank after it was appointed next year.

That Mr Waigel forged ahead with his plans shows how achieving Emu has become Mr Kohl's paramount objective. This was also apparent at a meeting of the Christian Democrat and Bavarian Christian Social MPs of Mr Kohl's coalition immediately after the minister's mid-May dash to Frankfurt. Although Mr Waigel reported unanimous support for his plans, participants later spoke of a tense meeting in which few details were provided, questions were discouraged and the discussion ended without a formal vote.

Yet it is these MPs, with colleagues from the small Free Democrat party, who will determine whether the government can revalue the gold and bring the proceeds to Bonn.

Mr Kohl has a Bundestag majority of only 10 votes. If his troops stay true to form, they will loyally pass the changes to the Bundesbank law. The fact that Wednesday's government statement rebuffed the Bundesbank's objections was issued by Mr Kohl, the other coalition party chairmen and the leaders of the parties in parliament, suggests that the pressure to support the move will be huge.

But German politics has moved into a new and uncertain phase in which old loyalties may buckle. Even if Mr Kohl pushes a new Bundesbank law through the Bundestag and secures the proceeds of the gold - and with that the future of Emu - the events of this extraordinary week may still be felt in 18 months in the German general election.

Tough old bruiser

Andrew Fisher measures the central bank's clout

tried to reflate the economy. He described a rise in 1958 as a "guillotine" for the economy.

In the early 1970s Mr Karl Schiller, leading both the economics and finance ministries, resigned over a Bundesbank proposal for temporary exchange controls to curb a rapid rise in the D-Mark. A decade later Chancellor Helmut Schmidt pleaded in vain for lower interest rates against what he saw as the central bank's obdurate stance.

The bank can act in this way because of independence enshrined in the Bundesbank law. This gives it sole responsibility for monetary policy, with a general obligation to support government policy where this

does not conflict with its aim of price stability.

But the central bank's power is not only a matter of legal definition. The German public, mindful of the devastation caused by hyper-inflation and two world wars this century, has tremendous trust and respect for the Bundesbank as the champion of stability.

So the government does not tangle with it lightly. Mr Karl Otto Pöhl, president of the Bundesbank from 1980 to 1991, had central bank tradition on his side when he clashed with Mr Schmidt's centre-left coalition. After the second oil crisis Germany's current account slid into deficit and the currency lost

nearly 15 per cent of its value between 1979 and 1981.

That was when Mr Pöhl took over, tightening credit to restore stability. The government's position was already weak and Mr Schmidt fell from power in 1982, to be succeeded by Chancellor Helmut Kohl.

It was Mr Kohl who later showed Mr Pöhl that the government was perfectly capable of bruising the Bundesbank when the issues were predominantly political. The chancellor announced in February 1990, three months after the fall of the Berlin Wall, that East Germany would be offered immediate monetary union. Mr Pöhl was caught wrong-footed, since he

was still in East Berlin after talks with East German officials at which they agreed such a union would be premature.

Mr Kohl had previously dropped no hint of his plans. The government later ignored Bundesbank reservations about the wisdom of over-generous conversion terms between the weak East German currency and the strong D-Mark. In May 1990 Mr Pöhl resigned, partly because of resentment over his treatment on the reunification process.

Rumours that the gold issue would prompt Mr Hans Tietmeyer, the present head of the Bundesbank, to resign have been denied. There has also been speculation about the future of Mr Theo Waigel, the finance minister, since it was he who sprung the gold revaluation plan on the Bundesbank. The immovable object has once again been matched against the irresistible force.

OBSERVER

Drawing lessons

It is a curious coincidence that the cartoonists are likely to be raised during the weekend talks, and has asked Malaysia's newspapers to cool it.

Not only many French President Jacques Chirac have picked the wrong moment to call a snap general election, but his campaign calls for "a new *émancipation*" are also backfiring.

Antler baggage

It also means elk, and since the centre-right's poor showing in Sunday's first round of the contest, cartoonists have been depicting the quadruped in various kinds of distress. *Le Canard Enchaîné* drew the hapless president gazing dejectedly at an elk skeleton over a caption describing *élk* as an endangered species.

To add insult to injury, Socialist leader Lionel Jospin's leading opeky enough to pinch the slogan, urging voters to show their new *émancipation* by ensuring the left wins in Sunday's decisive vote. Some suggest he may be just as quick to steal centre-right policies if he makes it to the Marignan.

Sales push

The literary career of entrepreneur Michael Bloomberg is getting off to a great start, at his company's Tokyo offices at any rate. Senior Bloomberg executives have been telling staff that they should go out and buy the modestly-titled *Bloomberg by Bloomberg* - and "make serious noise" in any shop that doesn't stock it.

The nearest English-language book stockist to Bloomberg's

Jest heavenly

Some Czech chortling over a joke at the expense of the banking sector. A pope and a Czech banker die and ascend to heaven. St Peter welcomes them at the pearly gates. "Both of you were expected. Let me take you to your accommodation."

They arrive at a small, run-down cottage. The banker assumes that he's getting the humble dwelling, but St Peter ushers His Holiness inside and takes the banker further along the road to an enormous, luxurious villa.

Financial Times

50 years ago

German Zone Council. Berlin, 26th May. British and U.S. chiefs, meeting in Berlin to-day, reached agreement for the establishment of an economic council to plan permissible reconstruction in the combined British and U.S. zones of Germany. The agreement provides for a council composed of representatives of the six German states in the British and American occupation zones. The Economic Council would work out ordinances necessary to implement a policy of economic reconstruction in accordance with the principles of the Potsdam agreement.

Middle East Oil

Margate, Thursday. The setting up of a joint economic council for the British and American zones in Germany was announced by Mr Ernest Bevin, Foreign Secretary, when he replied for the platform in to-day's session of the Labour Party conference. In the debate, Mr Bevin had an easy victory over his critics. Among the points made by Mr Bevin was the fact that the British had the first refusal to entertain a suggestion from the floor that there should be control by an international body of Middle East oil. He would never be a party to putting British interests into a pool when everyone else was sticking to their own.

MANAGEMENT BUY-OUTS

Symptoms of the excesses committed in the late 1980s have reappeared as venture capitalists vie for business. Katharine Campbell reports

Prices rise as competition intensifies

Is it a case of 1989 revisited?

The excesses committed during the last peak of activity in the cyclical UK buy-out industry were quickly thrown into sharp relief by the deep recession that followed. Transactions such as Isosceles, the \$2.4bn buy-in of the Gateway supermarket group, went spectacularly wrong; senior debt providers and private equity specialists retired to lick their wounds.

Last year, the volume of UK management buy-outs just exceeded 1989 levels by some measures. Buy-outs and buy-ins with total funding of more than £10m amounted to £5.91bn, according to figures by KPMG Corporate Finance, compared with £5.89bn in 1989. Volumes grew apace in the first quarter of 1997 with deals worth £1.97bn recorded, a 42 per cent increase compared with 1996.

Many of the symptoms of the last cyclical peak – notably record supplies of capital being invested in overpriced and/or highly geared businesses – have reappeared. But buy-out specialists are counting on the economy staying considerably healthier this time around.

Optimists maintain that lessons have been well learned, and investment strategies are much wiser. Mr John Hall, deputy managing director of Cinven, which continues to build aggressively its presence in

the largest transactions, remarks: "I think things are very different this time. Remember it was a very young industry in 1989, and it was the first recession we had been through."

Others are not so sure. "There are more venture capitalists fighting and killing each other for the deal than there were last time," says Mr Frank Neale, a partner at PhilDrew Ventures. "It is frightening in some ways."

Mr Rhoddy Swire, chairman of Pantheon, a so-called gatekeeper investing in other funds on behalf of institutional clients, adds: "There is too much money flying around, there will be excesses."

A favourable exit climate for investments made in the recessionary early 1990s means that most funds have impressive numbers to show potential investors at present. The odd spectacular exit – notably the sale of Porterbrook, the rail leasing company, to bus company Stagecoach seven months after Charterhouse Development Capital led the purchase from the government – has underlined the potential returns to be garnered. So institutions are pouring money into UK private equity, with US state pension funds this time around swelling the coffers. In 1996, independent funds raised £2.4bn, according to the British

Venture Capital Association.

Senior debt providers and investment banks are also jostling fiercely in the sector. Salomon Brothers has just set up a European leveraged acquisition finance team in London.

Competition is fuelling innovative financing techniques and US investment banks are behind the long-awaited arrival of a European junk bond market.

This embarrassment of riches is driving prices inex-

orably upwards. Mr Neil Brown, partner in charge of buy-outs at Apax, observes: "People are paying 10 times (earnings) multiples for some pretty lousy businesses."

Moreover, financial purchasers are regularly outbidding trade buyers at the ever more efficient auctions staged by the merchant banks. Granada, the media and leisure group, sold Welcome Break, the motorway service station chain, to an institutional buy-out led by

investment group Investcorp, for £473m, achieving a 43 per cent premium to book value.

The range of bids at auctions also tells a tale of competition, rather than valuations, driving pricing. At the end of last year, Inchcape Testing was sold to Charterhouse for £380m, at a multiple of 13 times historical operating profits, whereas one venture capitalist reckoned the service-based business was worth no more than his bid of £260m.

The junk bond element in some of today's structures also enables higher prices to be paid, but may well depress eventual returns to private equity funds. Mr Mike Stevens, head of management buy-out services at KPMG corporate finance, argues: "The perception is that venture capitalists will make more money [in deals using junk paper], but what happens is that everyone needs to offer this type of debt to get in on the transaction and the price goes up.

Everyone is working off the same calculations."

Other potential signs of cut-throat competition abound. Electra Fleming's white knight management buy-out of William Cook served as a reminder that the last spate of public companies being taken private, with all the attendant problems, was at the end of the 1980s.

As for gearing levels, most operators take comfort from the fact that the tottering structures that characterised

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that period have not reemerged. However, a new measure compiled jointly by Mercury Asset Management Private Equity and Initiative Europe, publisher of specialist newsletter Unquote, shows that gearing is creeping up in buy-outs over £10m with mezzanine financing. Gearing (as measured by senior debt plus mezzanine) has risen to 67 per cent from 57 per cent in the last three years.

Mr Ian Forrest, managing director of HSBC Private Equity, points out that gearing is lower than at the peak of the last cycle partly because prices are higher and the equity portion of the deal larger. "The debt is still the same as a proportion of cash flow; and the equity return will be lower because there is more equity."

The response to tougher market conditions is to find ways to "add value" – the industry's current mantra.

As Mr Ian Armitage, who runs Mercury Asset Management Private Equity, remarks: "You have to assume you get 20 per cent smarter every year."

But Mr Mike Wright, director of the Centre for Management Buy-out Research at Nottingham University, is sceptical. "Adding value is a very glib phrase. Where do the institutions get the skills to add value?" Mr Swire adds: "People who have

continued on page 2

£500,000,000
POOLING OF INTEREST
OF
INVEST
Merged with
Quintessence Transnational Corporation Inc.
Original Management Buy-Out
Structures, Led, Arranged and Underwritten
HSBC Private Equity

£160,000,000
MANAGEMENT BUY-OUT
OF
FC FARMER CHEMICALS NV
Equity Co-Led
HSBC Private Equity

£54,000,000
TRADE SALE
CENTREWEST LONDON BUSES LIMITED
Original Management Buy-Out
with Employee Participation
Structures, Led and Arranged
HSBC Private Equity

£55,000,000
LISTING
CLYDEPORT LIMITED
Original Management and
Employee Buy-Out
Structures, Led and Underwritten
HSBC Private Equity

£32,600,000
MANAGEMENT BUY-OUT
OF
HICKSON MANRO
Structures, Led and Arranged
HSBC Private Equity

\$146,900,000
FLOTATION OF
CMR INC.
VIA MERGER WITH
Centennial Capital
Original Management Buy-Out
Structures, Led and Arranged
HSBC Private Equity

£12,000,000
ACQUISITION
OF
TRIL
Structures, Led, Arranged and Underwritten
HSBC Private Equity

£50,000,000
MANAGEMENT BUY-OUT
AND DEVELOPMENT FINANCING OF
RCI
Structures, Led and Underwritten
HSBC Private Equity

Pharmaceuticals and Chemicals

Transport and Distribution

CHF 159,000,000
MANAGEMENT BUY-OUT
OF
SCHAFNER
Led, Arranged and Structured
HSBC Private Equity

£162,500,000
LISTING
ULTRA ELECTRONICS LIMITED
Original Management Buy-Out
Jointly Led, Arranged and Underwritten
HSBC Private Equity

£31,000,000
MANAGEMENT BUY-OUT
OF
EIA ENGINEERING LIMITED
Structures, Led, and Equity Underwritten
HSBC Private Equity

£184,500,000
BUY-IN AND RECAPITALISATION
OF
OUXCO LIMITED
Equity Jointly Led, Arranged and Structured
HSBC Private Equity

£11,400,000
MANAGEMENT BUY-OUT
OF
Beta Retail Limited
Structures, Led and Underwritten
HSBC Private Equity

£85,000,000
TRADE SALE
CITY TECHNOLOGY LIMITED
Original Management Buy-Out
Equity Co-underwritten
HSBC Private Equity

£11,100,000
MANAGEMENT BUY-OUT
OF
Intercept Limited
Structures and Led
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198 billion lire
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SERIAL ENTREPRENEURS • by Katharine Campbell

Search for tried and tested talent

The executive who has already pulled off a deal is often a better bet for backers

Private equity specialists get inundated with curriculum vitae. Too many are from executives simply looking for a job.

But as the UK buy-out market matures, a cadre is emerging of so-called serial entrepreneurs - managers who have successfully pulled off one buy-out and who are not ready to retire on the proceeds. They tend to represent a better bet for their backers than the untried executive, however talented.

Mr Phil Tempest is one of these. He has led a traditional management buy-out, is now running a buy-in turnaround, and is chairing an institutional buy-out. Schroder Ventures has been behind him in each case - and even offered him a job as a venture capitalist, which he took for five months before deciding he preferred getting his hands dirty to investing.

A mechanical engineer, Mr Tempest had been climbing the tree at Schlumberger, the Franco-American oil services and measurement systems group, when the first buy-out opportunity emerged. In 1991, as managing director of the UK electricity metering activities, he had been given additional responsibility for the instruments and transducer business. "It was in a bit of a mess, and losing money. I asked [Schlumberger] what

they wanted to do with it. I didn't get an answer."

Two years later, Schlumberger's president was visiting, and Mr Tempest cornered him. "Over a cup of coffee he decided to sell," Mr Tempest contacted prospective trade buyers, but the unit comprised four separate businesses - difficult to sell as a package. So he began considering a buy-out. After seeing a number of venture capitalists, he took to Schroder Ventures "because they talked to you as an industrialist. The others didn't have any interest in the business, I could have been making chocolates as far as they were concerned - as long as the numbers made sense".

Then arose the conflict of interest inherent in most buy-outs. "Schlumberger instructed me to stay out of the business completely. It was very difficult," he says. The more so because another financial purchaser invited to bid to provide competition against Schroders attempted to woo him to jump ship. "It was nerve-racking. I didn't know who was going to win; and my career with Schlumberger was effectively over."

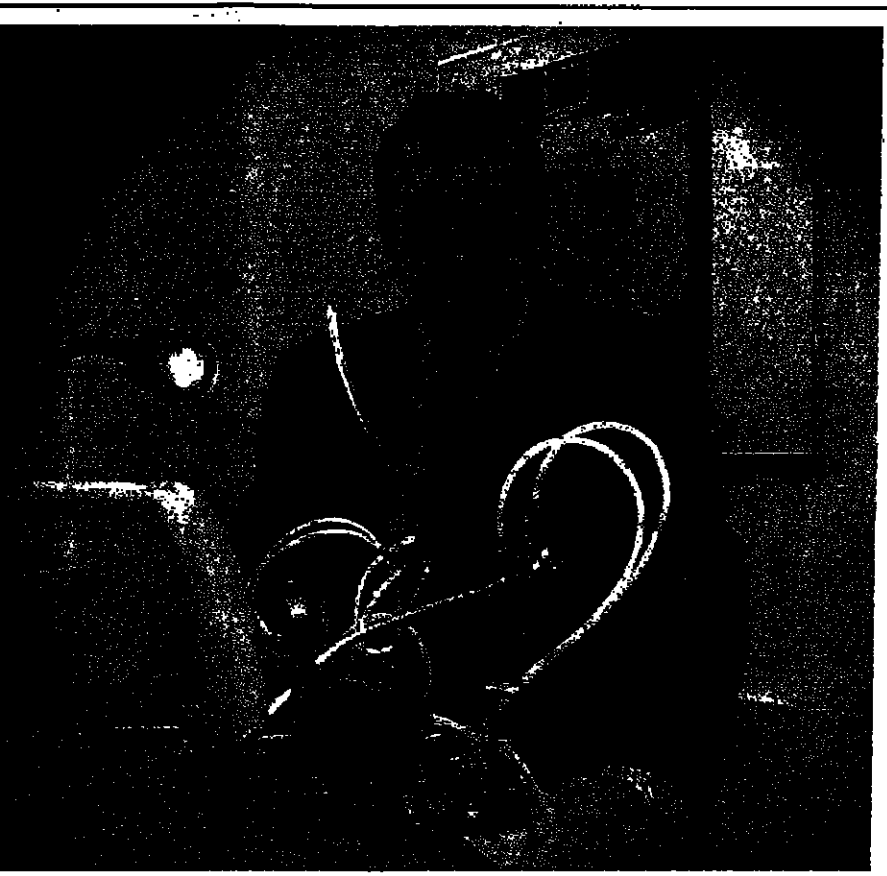
Eventually, the Schroders-backed team secured the renamed Solartron for £37m, and Mr Tempest went in as chief executive. But it was a mere six months before the group was purchased by Roxboro - another Schroders-backed business whose chief executive had worked at Schlumberger - for £58m plus another £10m dependent on certain profits growth targets being met over the following year. "It

was a stroke of good luck that Roxboro was floating just when we were negotiating the buy-out," says Mr Tempest, and hence did not bid.

He joined the Roxboro board as part of the deal, staying on until the end of 1995. The following April he joined Schroders "with the intention of becoming a venture capitalist".

There his first big transaction was as part of the team effecting the £90m buy-out of the Lister-Petter diesel engine business out of BTR. He is now non-executive chairman.

Because this was an institutional purchase, with Schroders negotiating directly with BTR, the dynamics were quite different from Mr Tempest's first buy-out experience. "The management almost felt they had swapped BTR as an employer for Schroders," he says. "Getting the culture change across has been difficult, and we have had to put in more new people than we planned in order to do that."



Phil Tempest: "There was a fear we were going to come in as asset-strippers"

A new chief executive, Ms Bonnie Dean, who in the past had worked for Cummins, the US diesel engine maker, was installed at the start of the year.

Mr Tempest then became involved in the buy-in of a group of companies out of Rank Group - a complicated deal with several unexpected outcomes.

The leisure organisation was disposing of Taylor Hobson, manufacturer of precision measuring instruments and machine tools; Cintel, which manufacturers tele-

cine equipment; Brimar, which makes electronic display products; Strand Lighting, supplying the entertainment industry, and Digital Projection, which is developing large-screen digital video projectors. Advised by Schroders, Rank wanted to sell all five businesses to the same buyer, and Schroder Ventures got an early look.

The projectors operation was dismissed as "too much of a gamble" although there was "quite a hassle with Rank" when Schroders said it was not going to buy it, according to Mr Tempest.

Meanwhile, he was beginning to realise that it was Taylor Hobson that was "the real attraction. Anyone who has done a mechanical engineering degree in the last 30 years knows Taylor Hobson". The factory, however, "was not a pretty site. There was stock everywhere. They were very late delivering the product, and sometimes it wasn't in good shape. But the order book was growing". Last year sales were £45m and profits "negligible".

He says Schroder Ventures concluded that it would have to change the management radically. The Schroders team examined its list of contacts to find someone to parachute in. Mr Tempest quickly decided that he wanted to do it himself -

which meant leaving his venture capital job.

Cintel, Brimar, and Taylor Hobson were acquired for £77m in October (with Strand Lighting purchased by Schroders separately), and Mr Tempest immediately began looking for a buyer for Cintel. "It was an industry I knew nothing about, and it had a huge market share in a tiny niche". Although he would have been "reasonably happy" keeping Brimar, he received an unsolicited approach from 3i, which has now backed a purchase of both Cintel and Brimar for £48m, including some working capital facilities.

Last November, he cut 20 per cent of the non-production workforce. Morale had been bad enough as it was. "There was a fear we were going to come in as asset-strippers, sell in short order and run for the hills. I don't pretend I have won everyone over, but I am trying."

The whole task is proving harder than anticipated. "Management systems are in a much worse state than I first thought and the culture is more ingrained." He reckons it could take five years to turn around - when he reckons he will have had enough of turnarounds, and perhaps seeking out his career with the odd investing chairmanship.

ADVISERS • by Peter John

In from start to finish

Roles have been blurred and there is a trend towards actively searching out possible deals

With the buoyant trend for management buy-outs continuing, it is understandable that the accountants and lawyers who advise on deals are in puckish mood.

Recent growth has been greatest in the relatively small number of high value deals.

Last year there were only 54 deals worth more than £25m, compared with 490 worth between £1m and £25m. However, the high value deals accounted for £5.3bn as opposed to £2.25bn for the smaller deals.

Consequently, firms have been beefing up their teams and approaches to equip themselves for a highly competitive environment. And, accordingly, roles have blurred with accountants branching out into the venture capitalists' patch and lawyers shuffling into accountants' territory.

The Big Six accountancy firms began as hand-holders for companies which felt they lacked the relevant experience. And for mainstream deals, that role has remained unchanged when firms are approached by client.

However, there is an increasing trend towards origination. MBO teams have been trawling through balance sheets looking for companies that have been underperforming significantly. And they have been ploughing through annual statements hoping to spot companies where there is a succession problem.

At the top end of the market, where the activity is at its most demanding and the fees at their highest, there has been a quiet revolution.

Mr Chris Ward the head of private equity at Deloitte Touche's corporate finance department said: "We are now working alongside the venture capitalists such as Claven, KKR and 3i to provide the extra arms and legs."

"We are working on the structuring, modelling and project management of deals rather than the bog standard due diligence. We are asked for significant grass roots involvement with marketing, tax and pensions."

He cites the recent £104m NAAFI Financial Services deal. "We were in at the beginning as the originators. We brought in a buy-in can-

didate, project managed it from start to finish and put the debt financing together."

And while it may appear a big commitment, the shared fees for the NAAFI deal came in at around £3m.

Deloitte now has 10 dedicated experts concentrating on buy-outs: four in corporate finance, two in tax, three or four industry experts and a pensions specialist. In addition, the firm has a team of seven concentrating on originating deals.

Mr Mike Stevens, head of management buy-out services at KPMG, paints a similar picture of expanding involvement at the high-priced end of the market and remains bullish on the prospects for the future.

"It is a fascinating area to be in at the moment, especially with the growing move towards Europe and the feeling that UK prices are too high," he says.

Big deals will become increasingly common. In 1994, there was only one over £250m and last year there were six.

Consequently, KPMG's team of 14 dedicated individuals has streamlined its operations to match those of the clients.

"We are now organised firmly on industry group lines so we can understand the players and our chances of spotting a deal are pretty good," he says.

Lawyers are also diversifying, although there is a certain amount of unhappiness over attempts by the Big Six accountancy firms to impose their own standards.

Mr Charlie Geffen, the head of buy-outs at Ashurst Morris Crisp, says: "The buy-out houses are more innovative in winning deals, which are becoming more complex and increasingly taking place outside the UK. We are frequently asked to provide local advice on structuring and on completing cross-border deals."

And Mr Chris Hale of law firm Travers Smith Braithwaite, points to the increasing trend for the larger buy-outs to be sold through auction.

The result has been for sellers to get more favourable terms forcing buyers to protect themselves more thoroughly.

And it is here that the lawyers' role has tended to spill over into accountancy territory.

"The result has been lawyers producing full-blown due diligence reports in the same way that accountants have done for many years."

OUR MANAGE THE MAYBE CAN BE LIKE GETTING THROUGH A MAZE

Like a maze, a large management buy-out is difficult to negotiate. You know where you want to go, but getting there isn't easy. There are obstacles and dead-ends that can prove very frustrating. What you need is someone who knows the right route. Someone who's been through it all many times before. For LMBOs, that's 3i. 3i has completed more LMBOs than anyone else in the £10 million plus sector. For everything you need to know about mazes - sorry LMBOs - phone 0171 928 3131

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4 MANAGEMENT BUY-OUTS



ROM, maker of steel products for construction, was bought out from the Rugby Group for £21m. The syndicated equity team comprised 3i and Lloyds Development Capital

3i • by Katharine Campbell

Service tailored to segments

Near perfect pricing has made it much more difficult to secure high returns

When Mr Brian Larcombe takes the helm as 3i's new chief executive in July, he can doubtless look forward to having his ear bent by members of staff across a whole range of subjects.

One of the issues that is bound to come up is the fact that the UK's largest source of private equity capital has been absent recently from the very largest buy-out transactions.

3i may still back more buy-outs by a long head than its nearest competitors. In 1996 in the UK, the group invested £214m in a total of 104 MBOs, and £90m in 59 MBIs. But it has tended not to use its vast balance sheet to play in the £100m plus market.

Hence, figures from the British Venture Capital Association accord 3i a market share last year of 40 per cent by number of deals, but by value, that portion fell from 20 per cent to 15 per cent. Whether Mr Larcombe — who has yet to divulge his thoughts on future strategy — will want to address that issue remains to be seen.

The group had been a leader, with Candover, of the larger buy-out market in the 1980s. But the experience of the fallout from the last peak of the cycle has had its effect, not least when 3i had to write off a £73m exposure to the £2.4bn Isoceles buy-in of the Gateway supermarket

chain. "Yes, that did take some of the appetite away for very large exposures," acknowledges Mr Hugh Richards, 3i's London director.

Mr Martin Gagen, joint head of UK investment, says the group has "quite consciously decided not to pursue the mega buyout across Europe; it is simply too limited a market opportunity for our brand of investment."

This is all part of a strategy to tailor the service it offers to different segments of the buy-out arena. "People think of buyouts as homogeneous, but that is not necessarily the case. What we are trying to do is deliver a tailored boutique service from the powerbase of a big balance sheet."

3i boasts "a complete dominance" in the £10m-£50m range of transaction in the UK, is active in the £50m-£100m bracket "and we are now looking above the £100m threshold on a very selective basis," he says.

In March, 3i launched a £82.5m smaller buy-out co-investment fund, targeting deals under £10m, which it sees as a quite distinct, and particularly regional, business. The fund is normally an individual rather than a public company and hence a different style of negotiation is needed.

"There are all sorts of other issues, such as the pride of the individual and his concern that his company will be in good hands," Mr Gagen reckons. Even this market, however, is becoming increasingly competitive, with the technology of the



Hugh Richards: not unduly concerned by price trends

large deals — auctions and a different style of legal and banking documentation — creeping in.

In the market for transactions above £10m, where 3i has already raised two co-investment funds, the two-pronged approach is to make use of the group's extensive regional network to help find opportunities before advisers call an auction, as well as to keep 3i well "in" with the merchant banks and potential vendors.

With the increase in buy-in activity generally, the group has been seeking to differentiate further its services in that area too. One of its obvious strengths is its raft of personal connections

across British industry, and Mr Patrick Dunne, who runs the independent directors' and management buy-in programmes, says that he has been endeavouring to foster closer contact between those sets of individuals.

"MBI managers need to be more sophisticated in their approaches to vendors these days," he notes. "We've been coaching them and we will generally introduce them early on to three part-time chairmen who are very well-connected in their sector."

The MBI programme is also slowly internationalising. Foreign managers who have run UK subsidiaries for continental European parent companies, for instance, and

whose next move is back to head office, are increasingly approaching 3i looking for buy-out opportunities, according to Dunne.

Differentiation aside, 3i's competitors maintain its market share has recently come at the price of bidding over the odds for its investments. In addition, they claim they sometimes fail to secure mandates because 3i, together with the clearing banks' venture capital arms, offer companies' management more attractive terms and conditions.

Mr Gagen, naturally, does not concede the point. "People don't like it when 3i becomes more competitive. We have become a specialist in buyouts and that is hurting others."

Mr Richards adds that 3i has done a broad brush study of average entry price earnings multiples of its buy-outs over £10m, which produces a figure of 10.3 for 1996 compared with 11.4 in 1995. "I would not say there was any underlying trend that would cause us to be overly concerned."

Still, 3i admits that, like the rest, it is having to work much harder at finding and making a success of investments. "You have to buy well and then grow the business," says Mr Gagen. "What's changed is that you have got an almost perfect market in pricing terms. The idea of simply unwinding the financial structure to make a return on a deal is not enough."

An example of its more aggressive stance was the £30m institutional purchase of five disparate businesses being sold by William Baird, the clothing group. 3i had initially planned to buy the package and dispose of the pieces it did not want almost simultaneously, but says Mr Richards, that "got logistically very difficult. Baird did not want to know about the mechanisms of disposal, so we ended up just taking the lot."

Now there are two disposals and one "potential" buy-out to effect before the new company begins reconstituting itself as "an expert in supplying good clothing to high street chains".

However, 3i says that the deal still bears the stamp of its traditional style in so far as the incumbent management was "treated well" and that it was able to team up with an investing chairman — Mike Buswell, a former Hillsdown director — who was known to the vendor. Mr Dunne observes: "Vendors want to deal directly with the institutional backers, but want to feel comfortable that the backer has a team that will make it to the end of the process."

Meanwhile, 3i's competitors are also watching closely as to whether the organisation's style will change with its increasing number of co-investment funds raised from outside parties. These make it apparently more exposed to the pressures faced by most other independent funds — either in terms of the timing of exits or in terms of the kind of returns being targeted.

Mr Richards maintains that there will be no change. "Yes, the house style is more measured with respect to exits, but this is the track record that we have established over a long period and that's what the investors have bought into. There is a hard-driving style [in other parts of the industry] which can be extremely powerful in the return sense, but that places the company under numerous obligations." The majority of entrepreneurs 3i backs are keen to make capital returns in the kind of timescale that fits with the fund, he says.

HIGH YIELD BONDS • by Samer Iskander

Potent instrument for large deals

Bonds are seen as an increasingly important tool at the high end of the market

The emergence of a high-yield bond market in Europe has been hailed by bankers as the most significant new financing trend in years. Its advocates claim it will make a large number of buy-outs cheaper and faster to execute, and could make possible some deals that would not have taken place otherwise.

"The development of a high-yield bond market in Europe — particularly non-dollar bonds — is an important new tool for the growth of the MBO business," says Mr Alan Jones, a managing director at Morgan Stanley in London.

High-yield bonds are speculative debt securities issued by companies with credit ratings below rating agencies' "investment grade" threshold — BBB- and Baa3 from Standard & Poor's and Moody's respectively. In exchange for the higher credit risk, they reward investors with substantial interest margins over benchmark government bonds.

The European high-yield market's inception is attributed to last month's debut issue by Geberit, the Swiss sanitary firm recently acquired by Doughty Hanson, the UK venture capital company. The deal was several times oversubscribed, as was an issue by Exide, a leading manufacturer of industrial and automotive batteries.

Both were denominated in D-Marks, but appetite in the sterling sector was also tested with a £100m issue for Castle Transmission Services. The proceeds will form part of a £250m plan to finance the acquisition by the borrower of the BBC's domestic transmission network.

Bankers expect about 10 issues this year for a total amount in the region of \$1bn equivalent. Issuance could double in 1998 and the total size of the European high-yield market could reach upwards of \$20m in coming years as the sector matures.

"There is no doubt that high-yield bonds, when used correctly, are an extremely potent financing instrument," Mr Matthew Collins, from Bankers Trust's European Acquisitions Finance team, wrote recently.

On the demand side, European investors have been on the lookout for higher yielding securities as a result of government bond yields fall-

Leading debt arrangers

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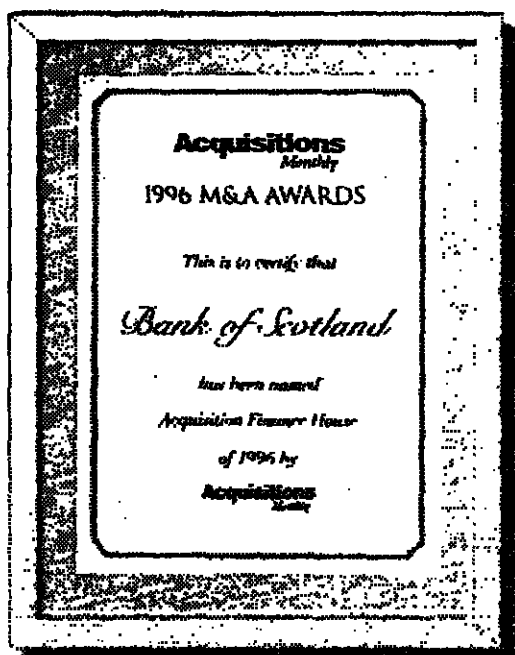
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The Bank of Scotland's latest acquisition.



"If any firm deserves to win this award, it must certainly be Bank of Scotland."

Acquisitions Monthly, January 1997.

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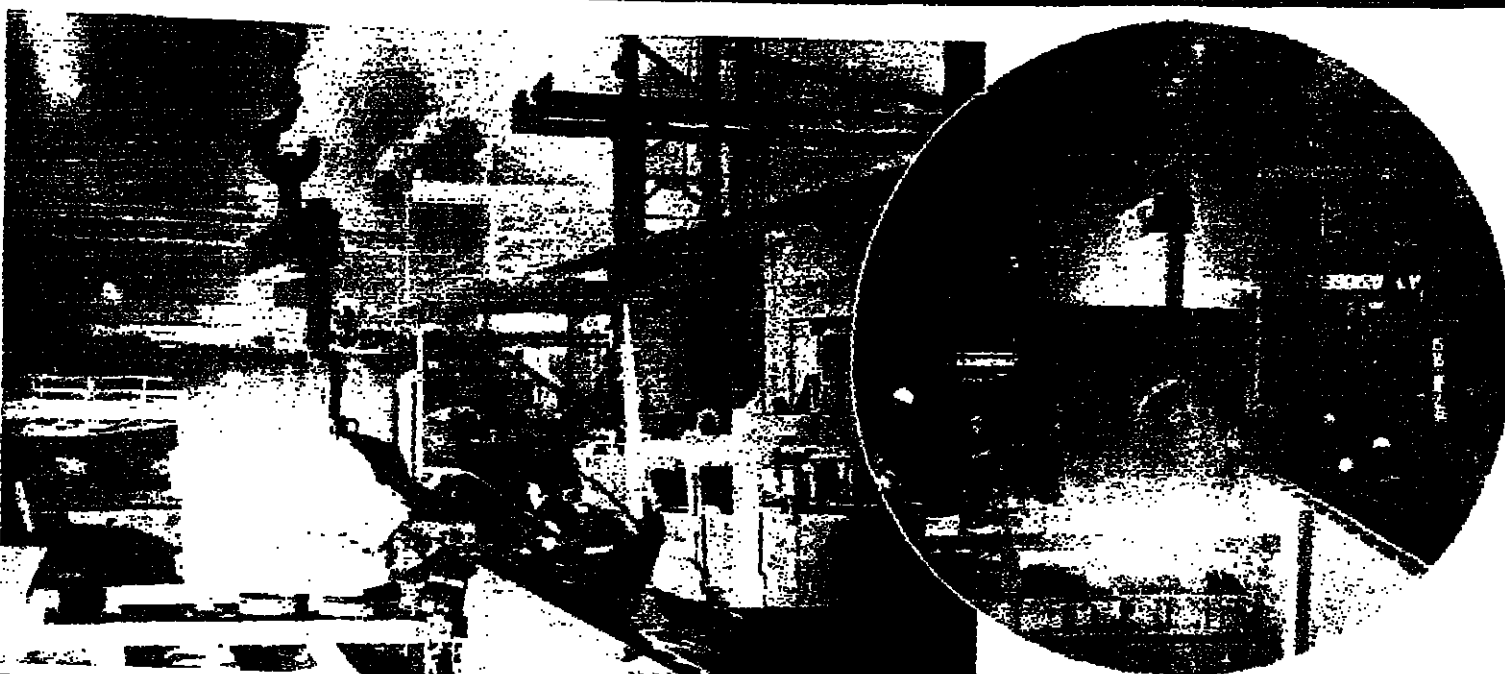
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حکومت المملكة المتحدة



Electra Fleming arranged financing of £103m for the MBO of steel castings maker William Cook, having been asked to act as a white knight during hostile Triplex Lloyd bid

MARKETS • by Christopher Price

Juniors gather strength

Success of Aim and Ofex in the UK has given a boost to counterparts across Europe

The proliferation of smaller companies' markets - and with it the increased opportunities for management buy-outs - shows little sign of slowing down. In March came the first listings on the German junior market, the Neuer Markt, which followed news that smaller company markets in Paris, Brussels and Amsterdam were to link up with their Frankfurt counterpart. The pan-European venture has been given impetus by the success of the Alternative Investment Market, the London Stock Exchange regulated junior market, and Ofex, a private market, both in the UK, and the slow but steady progress of Easdaq, the Brussels-based European market. Synergia, a Belgian finance group, recently became one of the first companies to list on the new Brussels junior market. Mr Paul Van de Perre, chief financial officer, says the

alternative to listing for the three-year-old company would have been to search for outside investors. "It's hard to explain to investors who are locked in that they have to be patient. By floating, we are able to attract investors who understand our industry but will also have the flexibility to exit." Mr Van de Perre also believes the company received a better valuation than if it had used private equity. Synergia, which had sales of BF250m (\$7.09m) last year, was valued at BF450m on flotation. All the new markets have made a deliberate pitch for MBOs and start-up companies. None require established trading records, although new companies joining the UK junior markets, Aim and Ofex, have had to make do with relatively low valuations. Aim, established two years ago, has been the most successful of the junior markets. This was partly because of the decision by the London Stock Exchange to close down the two existing junior listing places, the J2 market and the Unlisted Securities Market. The move gave Aim a critical mass of

more than 100 companies at a stroke. That figure has since grown to 270 companies worth \$8bn (\$9.7bn). More than £1bn has been raised. Ofex, a private unregulated market, has attracted about 100 companies. The costs of listing have been an important issue for many potential entrants. Aim was set up as a low-cost market for companies seeking development capital. All companies must have an adviser chosen from a stock exchange nominated list and initially "nomads" were offering listing services for as little as \$50,000. However, with a small number of nomads coming in for criticism from investors for not scrutinising their client companies enough before listing, there has been a move towards greater due diligence - and with it higher costs. Average joining costs have moved towards £100,000 before any fees for fund raising. Nomads point out that the cost of moving to the full list would be relatively small after paying for the due diligence of joining Aim. It was the issue of cost that prompted JP Jenkins, the stockbroking firm, to set

up Ofex. The closure of the USM and J2 left a large group of companies with no means to trade their shares unless they transferred - and paid the cost - of going to Aim. Ofex offers an alternative. It charges just £2,000-a-year membership. However, it remains outside stock exchange regulations. Mr Richard Donner, a director of Granville & Co, the corporate finance arm of the investment bank, agrees. He also suggests that the desire of owner-managers to retain control is more suited to venture capital than to flotation. "Not everyone wants the glare of publicity nor the responsibility which

goes with going public," he says. "Private capital gets executives ready for becoming a public company." In an attempt to make a listing attractive to MBOs, Granville recently floated Total Office Group, the office equipment supplier, on Aim. The agreement on the proportion of ownership between management and venture capitalists, which would normally have ended on listing, remained in place. It will end when and if the company steps up to the full list. "It is a way for both management and investors to realise the full value of the company's worth," says Mr Donner. VCTs were set up to encourage investment in small unquoted companies. Individuals are allowed to invest up to £100,000 in a VCT in any one tax year. Tax relief at 30 per cent is paid on the amount invested and all returns are free of capital gains and income tax. In return for the tax breaks, investors must accept the risks of having their money put into very small companies and must hold their investment for at least five years. It had been hoped that the tax breaks would draw billions of pounds to back small businesses. In fact the sums raised have been modest. In their first year to April 1996, 12 trusts raised £150m. About £200m has been raised this year. A survey by the British Venture Capital Association found that up to January 1997, the 12 initial trusts had invested around £43m in

VENTURE CAPITAL TRUSTS • by Roger Taylor

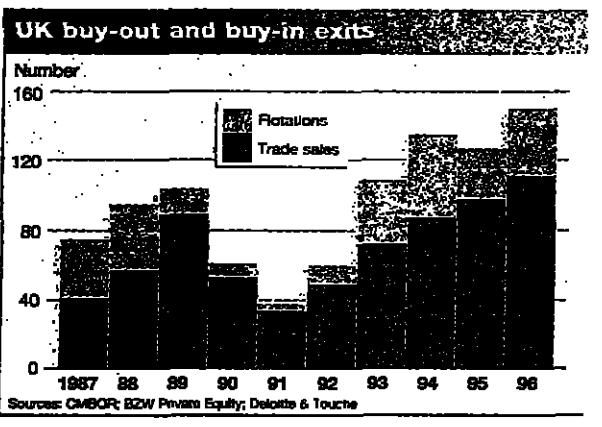
Tax breaks tempt backers

Trusts are designed to encourage investment in small companies

British Venture Capital Association which is worried that such practices could result in the Inland Revenue cracking down to the detriment of all investors. However the vast majority of money raised is going in the right direction. The BVCA survey found that 67 companies had received funds worth on average £496,000 from VCTs. One concern was that managers would take the easy route and invest largely in Aim listed companies, since these count as unquoted investments. But the BVCA figures show that only 15 of the 67 companies so far backed by VCTs are Aim listed. Instead, and perhaps surprisingly, most VCTs are using the tax breaks exactly as intended and are backing a wide range of small and growing businesses, including a large number of small management buy-outs. There are no particular advantages to the company backed in receiving support from a VCT rather than a conventional venture capital fund. He added that private owners of businesses often preferred a buy-out to a trade sale, as the business remained independent and was less likely to be rationalised into a larger company. A worrying trend for companies hoping to benefit from VCT investment has been the recent spate of low-risk protected VCTs. These interpret the rules as broadly as possible to create the safest possible investment while still qualifying for the tax breaks. With these funds, the minimum amount of money allowable is invested in small company shares, which can be as little as a quarter of the fund. The rest is invested in gilts or loaned to small businesses through banks. Both Noble & Company and Close Brothers have launched protected trusts despite criticism from the

qualifying holdings. Trusts have up to three years in which to invest 70 per cent of their cash in qualifying investments. Of the £43m invested, 60 per cent went into early stage and developing businesses. The remainder went into small management buy-outs and buy-ins. Mr John Simpson, a fund manager at Murray Johnstone said: "These deals are very different from large-scale buy-outs. Big buy-outs tend to be about cost cutting and cash flow. But the type of family-owned companies we help buy-out have often been starved of investment. Much of the money we put up is for new

"Much of the money we put up is for new investment in the company." He added that private owners of businesses often preferred a buy-out to a trade sale, as the business remained independent and was less likely to be rationalised into a larger company. A worrying trend for companies hoping to benefit from VCT investment has been the recent spate of low-risk protected VCTs. These interpret the rules as broadly as possible to create the safest possible investment while still qualifying for the tax breaks. With these funds, the minimum amount of money allowable is invested in small company shares, which can be as little as a quarter of the fund. The rest is invested in gilts or loaned to small businesses through banks. Both Noble & Company and Close Brothers have launched protected trusts despite criticism from the



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1997 INVESTMENTS TO DATE

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Highway Construction and Facilities Management
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£10m Re-engineered MBO of PRESSWORK (METALS) LTD
Automotive Components Supplier
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£4.2m MBO of ULTIMATE BUSINESS SERVICES
Credit Management
Equity led, structured and underwritten by Gresham Trust p.l.c.

£20m MBO of QUARTIC MOTOR GROUP
Retail Motor Group
Equity led, structured and underwritten by Gresham Trust p.l.c.

£3.75m MBO of FDS TAXPOINT
Taxation Software Supplier
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New Buy-Outs Same Partner

March
£150,000,000
Funds raised for the acquisition of a 40% stake in **Birmingham International Airport Ltd**
and the initial phase of development
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March
£82,000,000
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Led and arranged by **NatWest Ventures**

March
Management Buy-Out of **Dunlopillo** from **BTR plc**
Led and arranged by **NatWest Ventures**

March
Management Buy-Out of **BTR plc**
Led and arranged by **NatWest Ventures**

April
DM Undisclosed
Management Buy-Out of **Edscha**
Led and arranged by **NatWest Ventures**

April
Management Buy-In of **TILE**
Led and arranged by **NatWest Ventures**

So far this year, NatWest Ventures has invested £140 million in acquisitions with management worth more than £500 million. If you would like to find out more please contact David Shaw, Chief Executive on 0171 374 3502.

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6 MANAGEMENT BUY-OUTS

SECONDARY BUY-OUTS • by Ian Hamilton Fazey

Limbering up for round two

Re-engineering offers an exit route avoiding the need to float too early or sell too soon

It is a sign of both maturity and competitive pressures in UK venture capital markets that a formerly little-used type of buy-out has steadily been gaining popularity in the last three years, although no one is quite sure yet what to call it.

"Serial" or "secondary" buy-outs are common terms for the same thing, but "re-engineering buy-out" is now creeping in as the most up-to-date jargon. Whichever term is used, however, the process is straightforward. Someone, or a management team, or a financial institution, or a combination thereof, buys out an existing buy-out.

Reasons for doing this vary. The original MBO team may want to retire, or break up, so the next generation of managers in the company takes over. The venture capital provider may be operating a closed-end fund and have to find an exit route, so a new deal results in another buy-out, this time backed by another fund.

In other cases, the original buy-out team may have failed or underperformed. A new buy-out team, possibly reinforced by other individuals buying into it, gets the chance to turn over a new leaf to try to reinvigorate the business.

Underperformance may be reflected in various ways, such as not doing well enough to float on the stock market, or not commanding a good enough price for a sufficiently profitable trade sale.

"Secondary buy-outs certainly concentrate managers' minds on what goals the business should be pursuing," says Mr Ken Robbie of Nottingham University's Centre for Management Buy-out Research. "Many float or are sold quite quickly afterwards."

Other secondary buy-outs have been motivated by



Deal takes off: Peter Brooks of Gresham Trust (left) with Paul Gibbs, managing director of Page Group

another reason: the management team may be performing well but may want to stay independent and not be forced into flotation or sale. The company's managers then have to find a financial backer who will be more prepared to live with that.

Whatever the reason, secondary buy-outs are a rapidly growing segment of the venture capital market. According to Mr Robbie's centre, they accounted for 8.5 per cent of all exits by investors in 1994, rising through 11.4 per cent in 1995 and 13.3 per cent last year.

"This is an increasingly common opportunity for other capital providers," Mr Robbie says. "With tighter competition in venture capital markets, some fund managers are trying to initiate deals themselves and making direct approaches to the managers of closed-end funds, offering to take on and continue the investment."

re-engineering of the company concerned is then almost inevitable so as to redefine and hone its objectives - hence the "re-engineering buy-out" jargon.

Gresham Trust has moved into the market with some vigour. "Managers already know how to run their business and how to deal with external shareholders, so the risk is reduced and the learning curve is flatter," says Mr Trevor Jones, Gresham's managing director. "As well as maintaining their independence, managers may also be able to increase their share of the equity."

Most venture capital houses expect to exit within three to seven years of the original investment, but Gresham says it is happy to wait much longer periods, provided management is performing well and producing dividends.

One such deal involved the Page Group, a Sunbury-on-Thames manufacturer of

specialised electronic and electro-mechanical equipment for the aerospace and marine markets. Gresham put in £4.5m to replace the original investors in a 1991 management buy-out. The management team continues, but with a Gresham director on the board.

A similar deal allowed four original institutional investors from 1989 to exit from Presswork Metals, a long-established supplier of components for seat belts, airbags and air conditioning units to the automotive industry. The management team wanted to retain the company's independence as an employer of 285 people in Newton Aycliffe, County Durham.

An example researched by Mr Robbie's centre involved ATS Technik, a computer equipment rental company in Berkshire bought out by its management in 1986 and backed by 3i, CVC Capital Partners and Kleinwort Benson Development Capital. By

1993, the company had developed a successful workstation rental business and employed 50 people. Turnover was £8.6m compared with £2.8m in 1987 and pre-tax profits were up at £2.2m from £100,000.

When one of the investors with a closed-end fund wanted to exit, a trade sale was attempted against the management's will, but prices were too low for good enough returns. Eventually, the management was told that if it could raise the finance, the original investors would consider a secondary buy-out.

Deloitte & Touche Corporate Finance did the job, negotiating an £11m deal led by BancBoston Capital Management. NatWest Ventures became shareholders and 3i retained its stake, while the company's management almost doubled its own holdings to 25.5 per cent.

Since then, ATS Technik has expanded by acquisition, with the investors providing more venture capital to support the purchase of a leading audio-visual equipment supplier in 1995 and a PC rental company last year. Expansion required better controls, so a new group finance director was appointed in 1995.

With BancBoston bringing in knowledge of the industry through its relationship with a US client in the field, the secondary buy-out has so far shown high and profitable growth, particularly because rental is becoming increasingly established as a means of outsourcing the ownership of rapidly developing technology.

There seems little doubt that whatever they are called, serial, secondary or re-engineering buyouts are likely to become more important in financing corporate development and providing exits, without a company having to float too soon or sell too early to achieve the best prices. The market, however, still has to prove itself in the long run. "No one really knows what sort of return these secondary buy-outs will yield," Mr Robbie cautions.

PROFILE NATWEST VENTURES

Taste for management

Mark McQuater has returned to venture capital after three years running a business

Regional buy-outs took off last year, with the north-west gaining a 13.7 per cent share of deals (by number), according to CMBOR, second only to London and the south-east which still retains 27.9 per cent. Competition is set to increase as NatWest Ventures, for one, reckons it has neglected the area.

Hence the decision to install 36-year-old Mr Mark McQuater to run the Manchester office from this February. "It's a heavily fished pond, but it's an area where we'd like to do better," he says.

The new boss is a relative rarity in the venture capital world. While most of his peers are accountants, Mr McQuater has had a spell running a fast-growing quoted company in between his two stints at NatWest Ventures.

Mr David Shaw, managing director of NatWest Ventures, says: "Mark comes back to us with a much greater understanding of the business problems that managers have. It should make him user-friendlier to management as well as helping us solve the problems we may encounter."

Mr McQuater joined NatWest Ventures first time around in 1989 - from Scottish & Newcastle, where he had been group corporate development manager - as local director to help establish the Edinburgh office. His motives were uncomplicated: "It was quite well paid." He spent five years helping build up a portfolio of £30m, which according to Mr Shaw, "has made a lot of money for us".

He was tempted away from venture capital by Mr Tim Martin, founder of JD

Wetherspoon, whom he had met when he was at Scottish & Newcastle, by dint of its acquisition of a 25 per cent stake in Wetherspoon.

Mr Martin had decided to split the role of chairman and managing director, and asked Mr McQuater to join in the latter role. "I acquired a taste of operational management, and steered them through a crucial phase of growth as sales grew from £6m to £100m."

He also learned about hard work. "Venture capitalists think they work hard - which they do,

off in a different direction. One of his ambitions is to break the pattern whereby the largest deals naturally gravitate to the London office, he says. "We could easily handle a £100m transaction, which is a regional context is material." Last year's £38m buyout of Shearings, the coach holiday business, from Bank Group was an instance handled jointly with London.

The sector has changed considerably in the few years he has been away. Mr McQuater believes. "It is a sign of maturity that we can push ourselves forward as an industrial buyer. We take controlling stakes, and that gives you a proprietary feel. It is one of the reasons I decided to come back."

He will be "working very hard at origination. You've got to go out and persuade families to sell their businesses. If you want actually to pull off six deals a year you have to be covering a lot of angles and possibilities." Deals can take a long time to come to fruition, he says, citing the recent management buy-in of Tite City, a chain of discount tile shops, that was purchased for an undisclosed sum from its founder. That took nearly a year to put together.

It could be tough in the months ahead, with many private companies having accelerated sales ahead of the election. And what of the difficulties of attempting to increase market share at the top of the industry cycle when high prices are being paid?

Mr McQuater tips at his cuffs before answering. "I don't think we regard pricing as over the top. It is not like the late 1980s when people started to lose touch with reality. A lot of the businesses we look at are leisure-type businesses which will be profitable no matter what."

Katharine Campbell



Mark McQuater returned more user friendly



INDUSTRI KAPITAL

LEADERSHIP IN PRIVATE EQUITY IN 1997

Industri Kapital is a leading specialist private equity investment firm in Scandinavia and Northern Europe with equity capital in excess of ECU 500 million under management through the Industri Kapital 1989 and 1994 funds. Industri Kapital is active in equity investments in management buyouts of medium and larger sized companies. Industri Kapital is now establishing its third fund, The Industri Kapital 1997 Fund, with a maximum of ECU 750 million. Industri Kapital has sixteen investment professionals, dedicated solely to initiating and structuring private equity investments and management buyouts in Scandinavia and Northern Europe. Since 1990 Industri Kapital has completed nineteen buyouts, eight of which have been realised successfully to date. It is our policy to be active owners in partnership with management to ensure long-term growth in equity capital values.

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<p>Acquisition of Addum AB</p> <p>Equity was provided by Industri Kapital 1994, Investors and Management</p> <p>Investment advisor was Industri Kapital Limited</p>	<p>Acquisition of Nobia AB (previously Stora Bygg)</p> <p>Equity was provided by Industri Kapital 1994 and Management</p> <p>Investment advisor was Industri Kapital Limited</p>
<p>Acquisition of MSC Metals Specialty Chemicals Oy</p> <p>Equity was provided by Industri Kapital 1994, Metsä-Serla Oy and Management</p> <p>Investment advisor was Industri Kapital Limited</p>	<p>Acquisition of Husqvarna Sewing Machines AB</p> <p>Equity was provided by Industri Kapital 1994 and Management</p> <p>Investment advisor was Industri Kapital Limited</p>

REALISATIONS DURING 1996-97

<p>Industri Kapital 1994 has realised 100% of its holding in KCI Konecranes International Oy by introduction on the Helsinki Stock Exchange</p>	<p>Industri Kapital 1994 has realised 100% of its holding in Ellos Gruppen AB by sale to Pinault-Printemps-Redoute</p>
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Investment Advisor to Industri Kapital 1989, 1994 and 1997

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US • by Tracy Corrigan

A paucity of targets

High prices are encouraging fund managers to look for overseas opportunities

Recently, it has seemed that everyone who is anyone in leveraged buy-outs (LBOs) — the US term for what are known as management buy-outs in the UK — has been raising money for a new fund. KKR, Donaldson, Lufkin & Jenrette, and Lehman Brothers are among those which have raised or are raising billion dollar funds in recent months.

According to Mr Stephen Galante, editor of Private Equity Analyst, \$22.9bn of LBO funds was raised in 1996, up from \$19.2bn in 1995 and \$14.4bn in 1994.

Institutional investors have never been more willing to put money into LBO funds. With US interest rates still low and stock prices looking stretched, they are keen to allocate more funds

to "alternative" asset classes, which means, in many cases, private equity funds, including LBO and venture capital funds.

"If you look back over the history of the asset class, the returns have been quite good [so] asset allocators have put more money in," says Mr Lawrence Schloss, a managing partner of DLJ Merchant Banking Partners II, which recently raised \$3bn.

In fact, LBO funds as an asset class these days are "totally mainstream — any corporation or public pension fund over \$1bn feels they have to be in it," said Mr Schloss.

"You will find very few significant pools of capital which have not allocated some portion of funds to alternative investments," says Mr Joseph Rice, chairman of Clayton, Dubilier & Rice, one of Wall Street's most prominent LBO partnerships. (The industry is split between private partnerships which specialise in LBOs and investment banks

which have merchant banking or private equity arms as part of their much bigger businesses.)

Mr Steve Berger, head of merchant banking at Lehman Brothers, also says that larger amounts of money are coming into LBO funds, with big pension funds increasing allocations from around three per cent to seven, eight or in some cases 10 per cent.

Furthermore, a recent change in Securities & Exchange Commission rules allows funds to take money from very wealthy individual investors as well as institutional fund managers.

There is one slight problem: it is becoming increasingly difficult to find attractive investments. "It's clear that there is more money being raised and the funds are bigger than they were," says Mr Schloss. "It's also clear it is harder to buy businesses because prices are high [as a result of the strength of the stock market]."

However, he argues that

this is not a serious problem, unless it causes fund managers to rush into overpriced or unattractive investments.

In fact, according to Mr Schloss, most are "showing restraint. They have five years to invest". All LBO funds run in cycles, which cause peaks and troughs in fund-raising efforts. Currently, there is a peak, because many managers have recently liquidated previous funds, and starting the next funds is an automatic consequence.

LBO fund managers "don't really have the ability to pick when they raise the money — when they get to the end of the fund, it's going out of the door," says Mr Schloss.

And, he notes, "it's a long cycle". Institutional investors may take several years to pick a manager, then it may take few years for the money to be invested, and another few years to get the money out again.

One result of the paucity of targets in the US market

has been that LBO funds are venturing overseas. Mr Schloss says managers are "lured by the potential of lower prices in overseas markets".

"We are looking overseas," says Mr Berger of Lehman, whose funds have already invested in France, the UK and Taiwan. "Others are doing the same, partly because of the difficulty of doing deals here, but also because [institutional] investors want to diversify," he said, referring to the general desire of fund managers in the US to increase exposure in overseas markets.

Mr Rice sees the shift to overseas opportunities as a "sign of the maturity of the US market. We believe we can transport the same skills" to overseas markets though he adds that for the moment the shift is to Europe, rather than Asia, partly because businesses and markets in Europe are more mature.

Another effect of the greater scarcity of attractive targets is that definitions are blurring, with firms looking for private equity investments broadly, rather than strictly defined LBOs.

"In our firm we have a number of very interesting investment opportunities [at the moment] and only one is a classic LBO deal," said Mr Rice. "Some of the things we see now are opportunities to partner with companies." For example, the firm has a \$214m investment in Kinoko's, a West coast based retail provider of business services.

The US LBO market has proved highly successful for its practitioners as well as for investors.

In fact, some institutional investors have complained that the fees charged by private equity managers are too high. Last year, nine public pension funds including the influential California Public Employees Retirement System (Calpers) put out a report calling for best practices to be adopted.

Still, their dislike of pricing has so far not dented other funds from entering the fray — Mr Galante says that Oregon and Washington State pension funds now allocate 15 per cent of their investments to LBOs, encouraged by returns in the high teens over the past five years.



Flooring specialist Amtico, was an MBO from Courtbaude in 1995. The \$23m deal was led and arranged by Electra Fleming

GERMANY • by Graham Bowley

Sleeping giant awakens

More businesses are now being offered for sale as attitudes to disposals change

The upheaval in German industry brought on by a stagnant domestic economy and intensifying foreign competition could herald more buoyant times ahead for the country's management buy-out market.

According to new figures by Initiative Europe, the private equity specialist, and the Centre for Management Buy-out Research at the University of Nottingham, the German management buy-out market was the biggest in continental Europe last year for the first time, surpassing even France, traditionally the most active.

"A lot has changed. There

are signs of the German market finally opening up," said Mr Martin Halusa, managing director of Apex Partners in Germany, one of the country's leading private equity houses.

There are two main reasons for the change, according to Mr Peter Graf von der Groeben at Schroders & Partners in Frankfurt. One is that big companies have begun to sell their subsidiaries in order to be able to compete more effectively in their core markets, even if the subsidiaries are still profit-making.

The second reason is that small, family businesses are becoming more prepared to cash in their companies when they reach retirement age, and perhaps less prepared to struggle through what has become a protracted downturn for the German economy.

"German corporates are disposing in a big way," said Mr Graf von der Groeben. "Big companies have built up their portfolio of businesses over the last 50 or so years. They have amassed huge groups of different businesses which are completely unrelated. But now they realise they can't be number one or two in every market they are in."

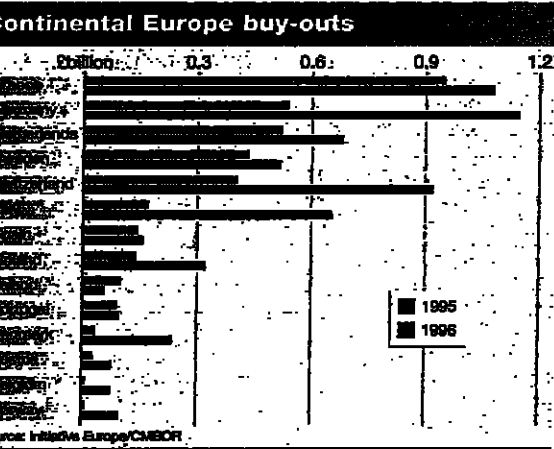
At the same time, "among family businesses, cashing in companies has become acceptable over the last couple of years. Ten years ago, to sell a company was always a sign in Germany that you were bankrupt, but that has changed," he said.

Mr David Milne, a director at CVC Capital Partners in London, agrees: "For major German corporates, the mind-set has historically been if you are selling a business there is something

wrong with it." But the import of Anglo-Saxon shareholder value concepts has altered attitudes to disposals, and businesses are now being sold for portfolio reasons. There is now a steady stream of businesses being offered for sale. In time the quality of these businesses will improve."

According to Initiative Europe and the CMBOR, the management buy-out market grew to £1.15bn last year, more than double the previous year's figure. About 43 per cent of the market was accounted for by buy-outs from German parent companies, reflecting the impact of restructuring among domestic German industry. About 19 per cent were buy-outs from a parent company. About 34 per cent had a family or private business as their source.

The main players rising to



the new challenge appear mainly to be British. "A large part of the capital has been raised by foreign groups which have a local presence," according to Initiative Europe and the CMBOR. They single out Doughty Hanson, Apex Partners, St. CVC Capital Partners and Advent International, as well as Legal &

General Ventures and Canover.

"The big UK houses are looking for growth opportunities as the UK is overheating. The country they have all focused on is Germany," said Mr Halusa.

There are also some important non-UK players including Alpha of France, ABN Amro and Alpinvest. From

Germany, Quadriga, H&P Beteiligungsbau and DBAG are also active.

"The problem all of us have is a lack of people with experience in Germany. There are few because the idea is so new. The ideal player in this business has an Anglo-Saxon background," said Mr Halusa.

The increasing push by foreign equity businesses into Germany will no doubt accelerate the growth of the buy-out market, but the professionals are still keen to point out that the German market has a long way to go before it even begins to rival that in the UK.

Mr Halusa said: "Germany has always been considered a sleeping giant. It has huge potential for deals but, unlike in the US and UK, it has not come through yet. One reason is that there has been no well-publicised role model for managers to say, 'Hey, I could be one of them'. Another reason is that there are not enough players sell-

ing these products and not a professional intermediary market which understands these products."

Mr Graf von der Groeben said: "A lot of people come to wake this sleeping giant and find it difficult because the environment is very different from the UK and US. It takes a long time for a deal to develop. The advice to vendors is a lot less developed here. The vendors look a lot less for professional advice and therefore it takes so long because they are so insecure."

Mr Milne said: "Management culture in Germany is more committee orientated than in the UK and there is no real equivalent of the [managing director]... This can cause problems for venture capitalists who seek and need an MD who will take ownership of opportunities and issues."

Initiative Europe/CMBOR, University of Nottingham, price \$355, 340pp, tel +441777769080

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SWITZERLAND • by William Hall

On a roll as lenders compete

A dramatic rise in deals has made this the third biggest European market

Switzerland, with a population of less than 7m, is one of Europe's smallest industrial markets. Yet in terms of management buy-outs it has become one of the hottest markets for transactions and looks like continuing to generate an above average level of deals for some time to come.

Over the last year bankers have been jostling to lay claim to having organised the biggest MBO. Last summer, the UK's HSBC Private Equity and Zurichmont Finanz, its Swiss affiliate, staked their claim after organising the SFR169m MBO of Schaffner Elektronik from Elektrowatt.

However, there have been a series of rival deals, such as SAIA-Burges Electronics, an MBO from Williams Holdings, and Komax, a leading producer of wire processing systems, which could have been contenders for the title.

Overshadowing all these deals have been a couple of transactions organised by Doughty Hanson, the UK venture capital firm. Just over two years ago it bought a big stake in Tag Heuer, the Swiss watch-maker, and last September brought it to the stock market via a SFR614m initial public offering. This year, it bought out the family-controlled Geberit, a Swiss sanitary-ware group, for SFR1.8bn and with the help of some innovative financing, such as a DM157m German junk bond, is struggling to get up for an early stock market flotation.

The purists can debate whether the Doughty Han-

son deals constitute real MBOs or whether they are institutional buy-ins.

The number of transactions in Switzerland where the management takes the initiative to buy their company and accepts the bulk of the financial risk are much smaller. Most of the transactions have been precipitated by companies that have wanted to jettison subsidiaries for strategic reasons, or by families, such as Max Koch at Komax, or the elderly Geberit brothers, that have wanted to reduce their holdings. Local managements have been the lucky beneficiaries.

However, there can be no dispute about the pick-up in flow of MBO-type deals in Switzerland, which is averaging nearly one per week, compared with one per month in 1990. The Swiss Private Equity and Corporate Finance Association (Seca) reported 48 MBOs in 1996, compared with 38 the year before. The latest European Buyout Review, published by Initiative Europe/CMBOR, puts the number of Swiss deals in 1996 at 52, with an aggregate value of SFR922m. The comparable 1995 figure was 41 deals valued at SFR402m.

According to the Initiative Europe data, Switzerland is now the third biggest continental European market. Over the period 1990 to 1996 Switzerland completed SFR2.6bn in buyout deals, or 8.4 per cent of the continental European total. By contrast, in 1996, it accounted for 15 per cent, compared with Germany's 18.8 per cent share and France's 17.5 per cent share.

Mr Berndt Samsinger, who works for Price Waterhouse corporate finance and is president of Seca, says one of the reasons for the jump in the number of deals is the

son deals constitute real MBOs or whether they are institutional buy-ins.



Doughty Hanson took watch maker Tag Heuer to the stock market last September via a SFR614m IPO

"very friendly" stock market environment. Interest rates in Switzerland are at their lowest level since the 1930s and the stock market is at a record high.

Not only does this provide cheap finance for MBOs but it also offers the organisers the opportunity of a swift exit via an initial public offering. There were nine IPOs launched on the Swiss market last year, compared with 11 in Germany.

The other reason for the increase in MBOs is the restructuring pressures being felt by many Swiss businesses. The results of nearly six years of recession and, until recently, an overvalued exchange rate, have taken a heavy toll on Swiss industry. Traditional Swiss companies such as Sulzer, one of the great names of Swiss engineering, and Elektrowatt, are under pressure to improve their profitability by shedding poorly performing businesses and concentrating on their strengths.

Look closely at some of the well polished presentations of the recent batch of Swiss MBOs and it is possible to detect traces of business that used to be head-aches for the bankers. Swiss banks have lost over SFR40bn on domestic loans over the last six years and

the surge in the MBO market has helped them recoup some of their losses.

It is perhaps not surprising that two of the three big Swiss banks have not been prominent players in the recent wave of Swiss MBOs, the third being SBC Warburg. The caution of the Swiss banks in taking on new levels of risk associated with MBO financing helps explain why several of the best known deals in Switzerland have been led by non-Swiss banks.

Several international financial institutions, having honed their MBO skills in the UK market, have been able to transfer their knowledge easily to the financial challenges presented by Switzerland.

Most Swiss executives speak English, Swiss corporate culture is very international and, by plane, Zurich is only an hour from London.

UK venture capitalists, such as Doughty Hanson, have been able to make significant inroads into the Swiss market without the need to establish an expensive presence in Switzerland. That said, the scramble by non-Swiss investors to get in on the local MBO market is starting to send out a few warning signals.

FRANCE • by Andrew Jack

Where size makes a difference

Legislation is restrictive and exit strategies remain relatively difficult

A rat extermination company, a docking business in Le Havre, and a luxury hotel and spa complex in Vichy - modest though it might be in size, France's management buy-out market has certainly not lacked colourful examples over the past few months.

For Mr Jean-Louis de Bernardy, head of NatWest Ventures France, who recalls that the first MBOs were made possible in the country only by a law in 1984, business has nonetheless been better. "There was rapid growth until 1990-91, and then a melt-down with the economic crisis," he says.

Not everyone is so pessimistic. Mr Thanh Vu, head of the specialist magazine Fusions & Acquisitions, which monitors deals across France, argues that there was a considerable number of MBOs during 1996, with a growing role played by British investors.

The difference between the two views is explained by Mr Frédéric de Broglie, head of the French division of SI, the venture capital group. Among companies valued at above FF250m, a market on which many of his competitors have focused, there have been just a handful of deals a year.

But for smaller transactions - valued at FF20m or more each - he estimates that there were nearer to 80 or 90 companies sold last year, providing some lucrative activity for the relatively small number of financial advisers concentrating on this end of the market.

In 1993, SI itself made the decision to boost its involvement in MBOs, which - drawing on research conducted across the French market - it concluded

offered considerable growth potential and high profits. Mr de Broglie says that the proportion of its total business in the sector has risen in the last four years from one-fifth to two-thirds.

He says that his company has typically managed to achieve a return on investment of more than 25 per cent, although he stresses that in the last few months, SI studied and refused a number of deals, considering that the asking prices for the businesses concerned were too high.

For the larger MBO transactions, he argues that for a number of reasons, "the analysis is right, but the timing is wrong" on the profitability and volume of

consider selling off their less strategic subsidiaries. "I think there has been a change," he says. "Little by little, French quoted groups are becoming more sensitive to the market and are divesting non-core businesses."

No group offers a better example than Générale des Eaux, the utilities, communications and construction giant with hundreds of diverse subsidiaries. Under Mr Jean-Marie Messier, its new chairman, it has begun to launch sales - no doubt partly a function of his own background as an investment banker with Lazard Frères.

A number of challenges continue to make MBOs difficult in France, however. Mr de Bernardy says that existing legislation is more restrictive than elsewhere, limiting the way in which deals are structured - notably with no possibility to use convertible preference shares. He adds that "with a little bit of imagination" the same effect can still be achieved.

Mr de Broglie adds that - in contrast to the UK - banks are unable to take a charge on the assets of the new company formed by the MBO, which acts as a disincentive to funders and means that "when it goes wrong in France for a bank, it goes badly wrong".

In addition, exit strategies from MBOs within France remain relatively difficult. Most have a far longer life-span than in the UK, where he says "the stock market is more ready to accept an MBO and refinance it. In France, the market is still a bit shy".

As a result, while some MBOs have ultimately terminated with a stock market listing, more typically there has been a sale to trade buyers or even what Mr de Broglie calls an "MBO-squared", with a second management buy-out following the first.

"Although it began several years ago, the market still has the spirit of an adolescent"

The market has not yet really developed," he says. "Although it began several years ago, the market still has the spirit of an adolescent. It is not yet adult."

Vendors are reluctant to consider buy-outs because they believe a trade buyer will offer a better price; advisers frequently do not suggest them for the same reason; incumbent managements are often shy to propose them for their own businesses; and there is insufficient pressure from shareholders in parent companies to push for divestment through MBOs.

The situation is beginning to change. As Mr George Elliston, head of Dome, a Paris-based corporate finance boutique, argues, the trend away from conglomerates and towards a focus on key businesses has pushed managers to

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IN BRIEF

American Airlines seeks top route

American Airlines, the second biggest US carrier, launched a surprise attempt to grab control of one of the busiest air routes in the US - the US Airways Shuttle running between Boston, New York and Washington. Page 26

Fall in provisions lifts Bank Hapoalim
Bank Hapoalim, Israel's largest banking group, said a sharp drop in doubtful debt provisions had led to a 46 per cent surge in net profits in the first three months of 1997. Page 24

NBC in Mexican distribution deal
NBC, General Electric's broadcasting arm, has reinforced its presence in Spanish language broadcasting through a distribution deal with Mexico's Grupo Televisa for its CNBC business news service. Page 26

ING announces 21% rise in first quarter
Dutch financial services group ING Groep underlined its conservative image when it announced a 21 per cent rise in first-quarter profits but declined to make a forecast of its full-year prospects. Page 25

Donna Karan in cost-cutting drive
Donna Karan, the troubled US fashion house, is shedding staff, reducing its product range and cutting back on fashion shows as part of a rationalisation programme intended to save \$4.8m this year. Page 27

Toshiba to enter European PC market
Toshiba, the Japanese electronics group and the world's leading supplier of portable personal computers, is to enter the European desktop PC market. Page 25

BAA to write-off £250m and shed jobs
British Aerospace is to write-off about £250m (\$407.5m) and cease production of its Jetstream 41 regional turboprop aircraft at its factory in Prestwick, Ayrshire with the loss of almost 400 jobs. Page 29

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NEW YORK (A)			
Oil	214	+ 14	
Gold	29	+ 2	
Steel	19	+ 15	
Platts			
Aluminum	25	+ 14	
First Republic	194	+ 24	
Grub & Etn	94	+ 14	
LONDON (Pence)			
London	1374	+ 8	
London	211	+ 14	
Tollman	74	+ 5	
Platts			
Oil	6014	+ 254	
Gold	6514	+ 18	
Steel	584	+ 4	
FRANKFURT (DM)			
Aluminum	3.00	+ 0.50	
Gold	5.00	+ 0.02	
Grub & Etn	7.50	+ 0.02	
Oil	3.30	+ 0.50	
Platts	14.00	+ 1.50	
Oil	11.00	+ 1.20	
Platts			
Oil	38	+ 35	
Gold	1251	+ 25	
Steel	2825	+ 55	
Platts			
Aluminum	795	+ 35	
Gold	425	+ 31	
Steel	1480	+ 115	
TOKYO (Yen)			
Aluminum	2070	+ 80	
Gold	2020	+ 120	
Grub & Etn	5710	+ 40	
Oil	910	+ 25	
Platts			
Aluminum	1440	+ 30	
Gold	2280	+ 110	
Steel			
Oil	13.05	+ 0.20	
Gold	8.25	+ 0.15	
Steel	13	+ 0.50	
Platts			
Aluminum	8.70	+ 0.15	
Gold	27.65	+ 0.25	
Grub & Etn	19	+ 1.05	
Oil			
Aluminum	55.00	+ 5.00	
Gold	27.25	+ 2.25	
Grub & Etn	43.00	+ 3.75	
Oil			
Aluminum	157.00	+ 15.00	
Gold	23.00	+ 2.50	
Grub & Etn	22.00	+ 2.50	
Oil			

May 30 & 31 prices at 12.30. Frankfurt closed.

Beijing Enterprises value rises

Trade debut sees shares jump 222% to close at HK\$40.20

By Louise Lucas in Hong Kong

Beijing Enterprises, Hong Kong's newest red chip, more than trebled in value on its trading debut yesterday. Shares in the company, the investment arm of the Beijing municipal government, closed at HK\$40.20 (\$5.19), a 222 per cent jump from its issue price of HK\$12.48.

Last week, there were queues of would-be investors outside banks waiting for application forms and the price rise had been anticipated in trading on the grey market.

The 15m tranche of the initial public offering was 1.275 times subscribed, tying up some HK\$238.9m or the equivalent of almost half the territory's foreign reserves. The offer to the public was increased to 51.8m shares as a result but still failed to meet demand.

In total, Beijing Enterprises raised HK\$42.6m, after triggering an over-allotment option, in an issue brought to the market by Morgan Stanley, the US investment bank, and Peregrine Investments, the pan-Asian investment bank.

The one-day gains in the share price reflect investor



Would-be investors in Beijing Enterprises argue with an executive in Hong Kong after the offering was hugely oversubscribed

appetite for so-called "red chips", or mainland-backed companies, in the final months of British rule. Investors have been attracted to red chips, partly because of their links to China's economy and because of the assumption that they are better managed and more diversified than the H-shares, the 28 formerly state-owned

enterprises trading on the Hong Kong stock exchange. Red chip fever has swept through Hong Kong since early this year, but Beijing Enterprises - boasting a motley collection of businesses from tourism rights on the Great Wall of China to the Beijing McDonald's franchise - has proved the biggest hit yet.

Its success exceeds that of Gitic Enterprises, a marble and granite construction materials company backed by the Guangdong government, whose public offering was 900 times subscribed.

The scale of demand led Hong Kong regulators this month to revise the way in which share capital is raised, but bankers say the changes will do little to quell excessive subscription.

Sponsors of the issues also come under attack over pricing because the pattern of demand suggests they could have chalked up bigger proceeds for their clients. The price tag on Beijing Enterprises was one of the highest.

Repsol faces row over pay scheme for directors

By Tom Burns in Madrid

Repsol, the energy conglomerate that pioneered privatisations in Spain in 1989, is now likely to spark off a "fat cat" controversy over inflated director pay packets that could total some Ptas4.6m (\$619,261) a year for each of its 16 board members.

Scarcely a month after Repsol was fully privatised when the state sold its remaining 10 per cent equity stake, the board has unveiled a remuneration scheme that will enable it to share a maximum 1.5 per cent of the Repsol's parent company's net profits.

On the basis of the Ptas79.6bn net income that the Repsol parent reported in 1996, the remuneration would total Ptas1.6m, or Ptas4.6m for each director if the maximum payout is adopted by the board and equally shared out among its members. Last year Repsol's directors, who then totalled 15, paid themselves a total Ptas206m or an average of Ptas13.7m each.

The new scheme, which will be put to shareholders at the group's annual general meeting next week, has caused serious concern among senior members of the Spanish administration. Officials fear a public outcry that could rebound on the government's privatisation programme.

The annual meeting will also be asked to approve four new directors, co-opted by the existing board, to replace those who represented the state's equity in the group.

"Telephone directory salaries discredited privatisations in Thatcher's England and we had hoped to avoid them," a senior official said yesterday. The CNMV, Spain's stock market regulator, is expected to request full details of Repsol's remuneration scheme.

The scheme has stolen a march on a corporate governance report, modelled on the UK's Cadbury report, that is due to be issued towards the end of this year. The code of good conduct, which has been actively encouraged by the CNMV, will focus on the importance of outside directors on company boards so as to represent the interests of all shareholders and will recommend moderate salaries for board members in order to ensure their independence.

The market regulator is also concerned about the possible conflicts of interest in domestic corporations, such as Repsol, that have big core shareholders well represented on their boards.

Air France returns to black despite fuel costs and strikes

By David Owen in Paris

Air France has returned to the black for the first time since 1989, in spite of an "explosion" in fuel costs and the impact of strikes which cut profits by FF250m (\$43.55m).

Mr Patrice Durand, vice-president, finance, said the improvement at the state-controlled carrier, whose hopes of early privatisation may be dashed if voters elect a socialist government on Sunday, was primarily attributable to a strong advance in turnover for the year to March 31 from FF39.4bn to FF42.7bn.

The airline, which had run up losses of more than FF14bn in the previous four

years, reported net profits of FF210.6m for the year, against a FF2.97bn loss in the corresponding period a year ago.

The latest figure included an exceptional gain of FF32m from the sale of aircraft and other items. The 1996-96 result took into account provisions of FF22m for a voluntary severance scheme and other labour measures. Net profits for the entire Air France group, including its tourism and information activities, reached FF394m compared with a 1995-96 loss of FF2.36m.

Neither of these figures included the results of Air France Europe, the carrier's domestic partner with which it is in the process of merging in

a controversial move that has sparked considerable employee unrest. This arm had another difficult year, reporting a net loss of FF498m, against a loss of FF661.4m for the 15 months to March 1996.

The loss would have been significantly worse but for inclusion of a FF266m exceptional gain, again linked to aircraft sales. The company described the latest period as "a year of transition" marked by severe competition in the first half of the year. Turnover reached FF11.28bn, against FF13.6bn in the 15 months to March 1996.

Passenger traffic at Air France was up 13.3 per cent year-on-year, while the carrier's load factor reached a

record 75.8 per cent, a 3 percentage point gain from 1995-96. Most of the growth in passenger traffic came from connecting flights linked to the group's more effective use of its Paris hub. One less favourable consequence of this was that the average ticket price edged down.

Mr Durand said the company's fuel costs surged by FF1.2bn, or 33 per cent, from the levels of a year earlier, of which FF900m resulted from higher prices and the rest from increased consumption.

Yesterday's figures came against a background of mixed success among Air France's European rivals.

Falkland isles company listing causes unease

By Edward Luce and Stephen Fidler

The Falkland Islands' largest private company, FIG, is to be separately listed on the London stock exchange in a move which has unsettled the British territory's 2,200 inhabitants.

Under the flotation, shareholders in Anglo United, the Falkland Islands Group's heavily indebted parent company, will receive 25 per cent of the shares in FIG while Anglo's creditors will take the remaining 75 per cent stake.

This has sparked fears that Argentine companies could purchase a large part of the shares after FIG is floated later this year. Falklanders would balk at the prospect of Argentine control of their largest private company, given Argentina's continued claim of sovereignty in the wake of the failed 1982 invasion.

Mr Mike Summers, an island councillor, said: "There are grounds for concern, but we have to think further about the implications as we get more details." Apart from questions of ownership, the company was the second largest employer on the islands, and the move to plc status suggested extra costs previously borne by Anglo United, he said.

FIG - formerly the Falkland Islands Company - had a turnover of about £14m in 1996. It once owned 45 per cent of the land area of the islands, but sold most of its remaining holdings in 1991.

It controls an estimated 80 per cent of the territory's retail sales, is the agent for the biggest selling vehicle, Land Rover, owner of the Darwin Shipping Line and currently operates the port in Stanley, which comes up for government tender later this year.

Mr John Gathman, managing director of Anglo United, which is to be delisted after the FIG flotation, yesterday said it would be impossible for the company to monitor who owned the shares after the company was floated.

"Once FIG is a public limited company we will have no control over who the shareholders are," said Mr Gathman, who is to be chairman of FIG.

Anglo United's decision to hive off its Falkland Islands interests into a separately listed company follows Anglo's sharp fall into debt in the early 1990s. As part of yesterday's restructuring plan Anglo will sell its fuel businesses - Coalite Smokeless Fuels and Coalite Chemicals - to Thomas Potts, a UK holding company, for £24.3m. Coalite was purchased by Anglo for £500m in 1989 in a highly-leveraged hostile takeover.

FIG, which is expected to have a market capitalisation of up to £10m, will inherit debts of just £2m. Its operating profits in the year to end-March were £1.02m compared with £887,000 in the previous year. Anglo's six main creditors, led by the Hong Kong and Shanghai Banking Corp, have yet to decide how to restructure the £176m debt which remains on Anglo's books.

Eurotunnel appeals for investors' backing on debt plan

By Andrew Jack in Paris and Charis Gresser in London

The chairman of Eurotunnel made a final appeal to shareholders yesterday to approve a restructuring plan ahead of an extraordinary general meeting scheduled for July.

Mr Patrick Fosco, executive chairman, said both his board and two "mandataires" - appointed by the courts to help broker a deal with the banks - conceded the plan was not perfect but "the only possible solution for shareholders in the circumstances".

The document, which contains Eurotunnel's financial proposals, suggests that the company will return to profit by 2005 at the earliest, and could be in a position to pay a dividend in the following year. On its more optimistic scenario, the company hopes to produce a pre-tax profit of £110m in 2005 and pay £33m in dividends.

Two independent consulting firms warn in the document that the projection is "ambitious, though possible".

The prospectus showed that as a result of trading in Eurotunnel's debt on the secondary market, the number of creditor banks has fallen from 225 to 174, potentially making it easier for Eurotunnel to win unanimous approval of the plan from its bankers.

A US fund controlled by Lazard Freres, the investment bank, has become the largest single owner of the junior debt, subject to the refinancing, with 8.7 per cent. Bankers Trust and Merrill Lynch have also become significant investors, with 4.3 per cent and 3.8 per cent respectively.

Overall, the US banks - which held just 4 per cent of the debt in July 1995 - now hold 24 per cent, while the proportion held by French, British and Japanese banks has dropped.

The European Investment Bank continues to hold 4.3 per cent, while the four "agency" banks which led the Eurotunnel lending syndicate - National Westminster, Credit Lyonnais, Banque Nationale de Paris and Midland Bank - remain significant owners with between 2.9 per cent and 3.1 per cent each.

Lex, Page 22

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COMPANIES AND FINANCE: EUROPE

Fiat plays to its strengths in Poland

The Italian group's FSM unit dominates the local market, helped by its leadership in small cars

Combining Poland's pitted roads with Italy's reckless drivers sounds like a recipe for disaster. But since Fiat, Italy's leading car company, took over FSM, Poland's second-biggest carmaker, the journey has picked up speed without, so far, encountering too many bumps.

Poland, with South America, is one of the fastest growing parts of Fiat's empire. Demand for cars has soared with the economic liberalisation that followed the collapse of communism. Growth, boosted recently by improved access to consumer credit, has fuelled a bonanza.

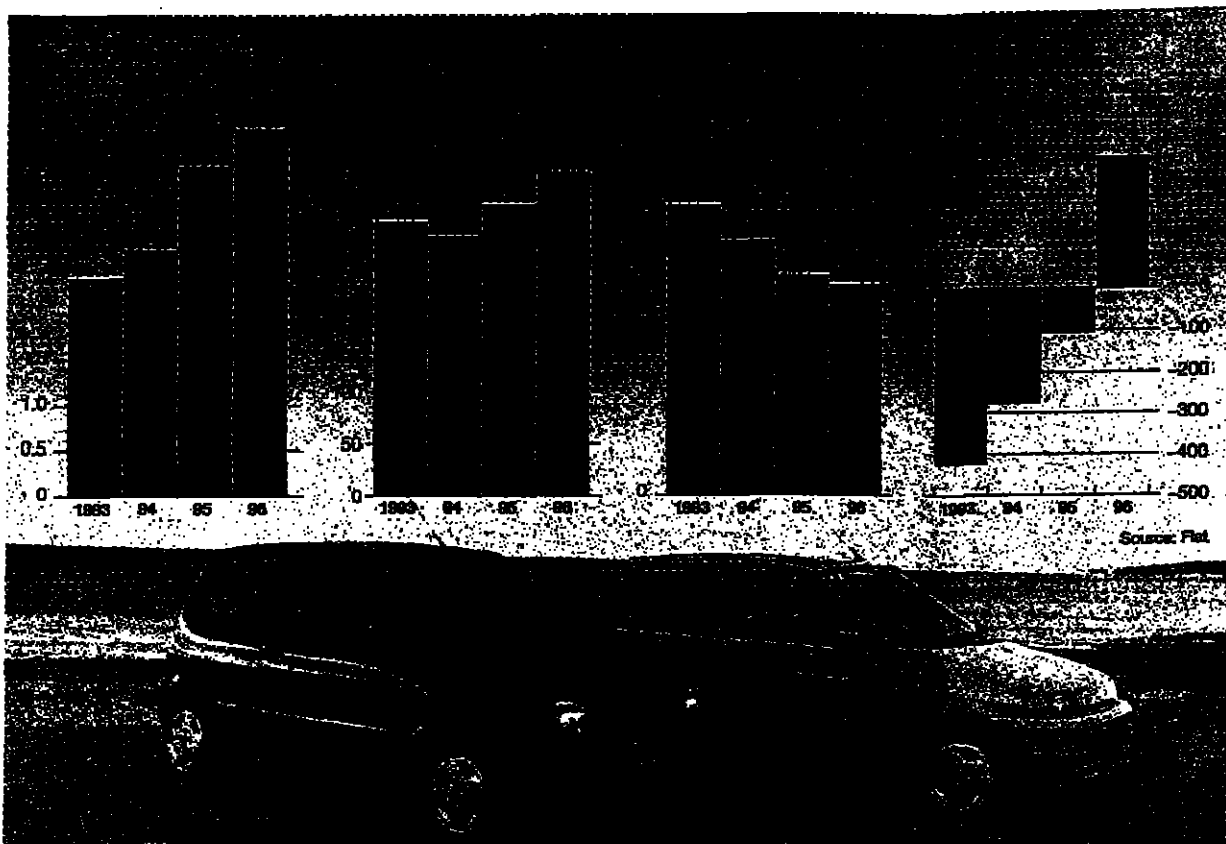
Car sales in Poland surged from 250,000 units in 1994 to 373,000 last year. Mr Massimo Gentilini, the new boss of Fiat Auto Poland, forecasts this will rise to between 430,000 and 450,000 this year. "We've got a real and proper explosion," he says.

The sharp rise in demand helps to explain the speed of Fiat's success in Poland, in spite of heavy investment in FSM to update its plants for the production of new models.

The Polish operation turned its first profit last year, with earnings of zloty 311m (\$97m), after a zloty 427m loss in 1993 - the first full year of operation.

Fiat's results have been based on market dominance. Two of every five cars sold in Poland last year were from Fiat Auto Poland. That was well ahead of FSO, bought last year by Daewoo of South Korea, and Opel, the German subsidiary of General Motors, which came a distant third.

Fiat success in Poland has not been merely domestic. The country is the sole



world source for its Cinquecento minicar. Fiat's total production in Poland - dominated by the Cinquecento - climbed from 278,000 in 1995 to 307,000 last year. More than half the Polish-built cars were exported, lifting turnover from zloty 3.6bn in 1995 to zloty 4bn.

Although Fiat's involvement in the Polish motor industry started in 1991 as a shareholder in the country's first motor manufacturer, it was only in 1992 that it gained direct involvement by buying 90 per cent of FSM.

Since then, Fiat has invested \$1bn on modernising the company to build new cars and engines. Its

range now includes the Cinquecento, the veteran 126 - an even smaller car sold only in Poland - and the Uno. The company also builds other Fiat models from kits exported from Italy. Output last year included 205,000 Cinquecentos, 60,000 126s and 36,000 Unos.

Mr Gentilini says a further \$800m is now being spent to raise capacity and launch two new models. The first, unofficially called the Seicento, will succeed the Cinquecento next year. The second, the Siena, is the four-door version of Fiat's A178 "world car", which

went into production in Brazil in 1996. The Polish-built Siena, to be launched in June, will be followed by a station wagon version towards year-end.

But while the two new cars should consolidate Fiat's local dominance, their arrival coincides with new challenges.

The surging domestic market has sharpened the competition. Within the coming months, Daewoo will introduce the first of three new Korean-designed models to have been in effect limited to the Cinquecento or Renault's Twingo. Although differing in price and specification, the two are often seen as direct rivals.

at Volkswagen's plant in Poznan. And in late 1995 Ford started assembling cars at Plomsk.

Competition from imports is also growing. Although foreign-made cars suffer a 25 per cent tariff disadvantage over locally-built vehicles, the handicap will disappear by 2002 as Poland prepares to join the European Union, making the market much tougher.

Conditions will also grow more difficult abroad. Until now, drivers of minicars have been in effect limited to the Cinquecento or Renault's Twingo. Although differing in price and specification, the two are often seen as direct rivals.

However, the choice is widening. Last October, Ford launched the Ka. That has been followed this year by the Arosa, from VW's Seat subsidiary. VW will follow with at least one, and possibly two, VW-badged versions of the vehicle. Meanwhile, Opel is believed to be working on a slimmed-down Corsa. And next year will see the debut of the Smart, a tiny two-seater built by Mercedes-Benz and SMH, the Swiss watches group.

Mr Gentilini points out that not all the new vehicles are direct competitors to the Cinquecento, and the greater choice may stimulate the minicar market. But he recognises the challenges ahead both domestically and in Europe.

In Poland, Fiat's strategy is based on maintaining its leadership in small cars - always a company forte - and expanding into larger vehicles. While some of the bigger cars, like the mid-sized Marea, are already being assembled from kits, the real impact will come from the Siena, according to Mr Gentilini. "We're convinced it's the right product", he says.

As for greater competition in the European minicar sector, his answer is simple. "I don't doubt there will be greater competition. The question is, will there be problems for us? I don't think so".

His confidence is based on an insider's knowledge of the Cinquecento's successor. While the current car has won plaudits from the motoring press, Mr Gentilini is confident about the new version. "Its successor will be even better", he says.

Haig Simonian

EUROPEAN NEWS DIGEST

Swedbank seeks Handlowy stake

Swedbank, the Swedish commercial bank, yesterday confirmed it was seeking to buy up to 5 per cent of Bank Handlowy, the Polish bank which is to be privatised next month. Swedbank is one of three core international investors, led by J.P. Morgan, the US investment bank, that are aiming to take at least 24 per cent of BH's equity in a deal which could be worth as much as \$300m.

The third member is Zurich Insurance, the Swiss financial group, which confirmed its interest on Wednesday. It also said it would be signing a letter of intent with BH to establish a joint non-life and life insurance operation in Poland.

Swedbank, which is merging with Föreningsbanken, a smaller rival, to form Sweden's second-largest bank, said it regarded the Nordic and Baltic region as its home market. It bought a 12.5 per cent stake last year in Hotbank, Estonia's second-largest bank, and said its strategy was to form alliances which "may or may not be combined with shareholdings" in the partner.

Of the three core investors, J.P. Morgan is taking between 10 and 15 per cent of BH, Zurich Insurance between 5 and 10 per cent and Swedbank up to 5 per cent. *Greg Michor, Stockholm and Christopher Robinski, Warsaw*

Kirch takes over Hundert,6

Mr Thomas Kirch, son of the German media mogul Mr Leo Kirch, has taken full control of the Berlin commercial radio station Hundert,6 in which he previously held a 40 per cent stake. The purchase of the remaining 60 per cent, which is subject to regulatory approval, is part of an expansion of Mr Kirch's business activities in Berlin. A radio station official said there would be a relaunch in the summer with greater emphasis on news and current affairs. Hundert,6 was the first commercial radio station to be launched in Berlin, Germany's most competitive radio market. *Frederick Stedemann, Berlin*

Preussag ahead at DM248m

Preussag, the German industrial conglomerate, yesterday announced a 12.3 per cent rise in profits to DM248m (\$155m) in the first half of the 1996-97 financial year, which it attributed to strong performances by the group's trading and engineering divisions. Turnover rose 2.1 per cent to DM11.6bn. The company said it had benefited from economic recovery in industrialised countries and from the strengthening of the US dollar and sterling in relation to the D-Mark. Orders rose 6.1 per cent to DM13.5bn. The biggest rise in sales came from Preussag's building engineering division, whose turnover increased 30.1 per cent to DM1.52bn. Turnover in the trading and logistics division rose 11.4 per cent to DM5.78bn. As part of its strategy of selected expansion, Preussag last month bought Chateaufort de Maury, a French company which makes electric boilers and gas heaters. *Frederick Stedemann*

Veag warns of falling sales

Veag, the east German regional utility, yesterday warned of continuing losses in 1997 because of declining demand, the effect of discounts granted to industrial customers, and switching by customers to privately-owned power stations. In 1996 the company, which is majority-owned by the west German utilities RWE, Bayernwerk and PreussenElektra, incurred losses of DM180m (\$113m), compared with a DM140m deficit in 1995. Turnover in eastern Germany fell 4 per cent to DM5.5bn. However, Veag was able to make up this shortfall by selling electricity outside the region, resulting in an overall 8 per cent rise in group sales. Sales this year are forecast to drop by at least 6 per cent. *Frederick Stedemann*

Fall in provisions lifts Bank Hapoalim 46%

By Avi Machlis in Jerusalem

Bank Hapoalim, Israel's largest banking group, yesterday said a sharp drop in doubtful debt provisions had led to a 46 per cent surge in net profits in the first three months of 1997.

Net profits jumped from \$64m in the first quarter last year to \$94m in the same period this year. Net return on equity was up

from 11.9 per cent to 16.6 per cent. Provisions for doubtful debts dropped 39 per cent, from \$73m last year to \$44m this time.

Analysts attributed the low provisions to the end of the debt crisis in the agricultural sector, which forced the bank to raise provisions in recent years.

"These results were way over our expectations," said Ms Debra Kodish, banking analyst at Zannex

Securities in Tel Aviv. "If they can keep provisions at this level the bank will be able to exceed net profit projections of about \$130m (\$275m) for the full year."

The bank said income from financing activities, before doubtful debt provisions, climbed 10 per cent from \$247m to \$272m.

Financing income was boosted by rising bond prices and an increase in off-balance sheet activi-

ties. Subsidiaries and affiliated companies nearly doubled their contributions to net operating profits, from \$19.3m in the first quarter last year to \$37.8m in the first quarter of 1997.

Bank Hapoalim's shares rose 2.75 per cent on the Tel Aviv Stock Exchange yesterday, from Shk7.47 to Shk7.68.

The Israeli government, which owns the bank, recently issued a

tender to sell a stake of between 25 per cent and 69 per cent in Bank Hapoalim. The tender is expected to be completed in August.

Israel's finance ministry recently said it hoped to raise as much as Shk3bn from the sale of the bank's equity this year and next.

The government has set a target of Shk4bn in revenues from selling state-owned companies and banks in 1997.

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Payment of the Redemption Price in respect of each Bearer Note will be made against presentation and surrender of the Bearer Note at the specified office of any of the Paying Agents outside the United States by Italian Lire cheque drawn on, or by transfer to an Italian Lire account maintained by the payee with a bank in the Republic of Italy. Each Bearer Note should be presented for redemption together with all Coupons appertaining thereto maturing after the Redemption Date, failing which the face value of any missing Coupon will be deducted from the sum due for payment.

Any amount so deducted will be paid against presentation and surrender of the relevant Coupon within ten years from the date on which such Coupon would otherwise become due.

Notwithstanding that in accordance with Condition 7 (B) of the Notes, the Exchange Right in respect of any Note may be exercised at any time up to and including 24th June 1997, to exercise Exchange Rights a Noteholder must complete and sign a notice in the then current form obtainable from the specified offices of the Exchange Agents listed below (an "Exchange Notice") and deliver such Exchange Notice together with the relevant Note or Notes together with any payment required by Conditions 7 (D) or (E) of the Notes.

Payment per Note on Redemption	IMPORTANT Value of the Exchange Property arising on the exercise of the Exchange Right in respect of a Lit. 5,000,000 Bond
Lit. 4,879,887	Lit. (*)

(*) Based on the official price for the shares comprising the Exchange Property on the Italian Stock Exchange for 27th May, 1997 (which is the latest practicable date prior to publication of this notice). Noteholders are reminded that the relevant share price is likely to vary in the period prior to the Redemption date.

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In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from May 30, 1997 to August 29, 1997 the Notes will carry an Interest Rate of 6.0625% p.a. and the Coupon Amount per U.S.\$10,000 will be U.S.\$153.25.

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حکومت اسلامی

Toshiba to expand PC range in Europe

By Paul Taylor in London

Toshiba, the Japanese electronics group which is the world's leading supplier of portable personal computers, is to enter the European desktop PC market.

Toshiba Information Systems will introduce 12 computer products, including the Equium range of business desktop computers and the hand-held Libretto portable, into Europe, beginning with the UK.

The move by Toshiba into the corporate desktop PC market reflects its determination to capitalise on its strength in the notebook portable PC market. It aims to become one of the top information technology groups in the world over the next few years.

"The successful PC vendors of the future will have to deliver product innovations in features and design across every market sector, as well as competing on price/performance," said Mr Alan Thompson, director of Toshiba's PC division in the UK. "Toshiba already designs and manufactures servers for the Japanese market and is now present in both the business and consumer desktops in Japan and the US."

The move also reflects the growing interest of Japanese and other Asian PC manufacturers in the European and North American desktop markets. Over the past year, Fujitsu has taken over the PC business of ICL, the UK group, while NEC has taken control of the Packard-Bell PC business and Samsung has assumed control of AST, of the US. Mitsubishi, which owns the Apricot PC business in the UK, and Sony have also been promoting their PCs.

This renewed interest in markets outside Asia reflects the economics of the PC business and the desire of large electronic component manufacturers, like Toshiba, to secure markets for their products and help smooth out the cyclical nature of commodity component markets.

Toshiba has been highly successful with its range of Intel PCs, based on Intel microprocessors and Microsoft Windows, software in the Japanese market, which until a few years ago was dominated by proprietary systems.

The Japanese group launched its Infima range of consumer PCs in the US last September, followed by the Equium business machines in March.

However, in Europe the group has decided to focus initially on the business segment, which is seen as more sophisticated than the consumer sector.

Mr Howard Seabrook, Toshiba's UK desktop business manager, said: "The Equium range bears the stamp of innovation and design quality that is ingrained in our portable products. For the business desktop user this is a guarantee that new technologies will appear on their systems at the earliest opportunity."

Toshiba has built so-called "intelligent manageability" features into the Equium range to make it easier and less costly to install, configure and manage corporate PCs.

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Gucci revenues increase 31.5%

By Alice Rawsthorn

Gucci, the Italian luxury goods group, mustered a 31.5 per cent increase in revenues to \$254.3m in the three months to April 30, in spite of a slowdown in Japan and sluggish sales of its spring fashion collection.

Mr Domenico de Sole, president, said Gucci had "exceeded expectations" in the first quarter. Even so, the company's shares fell by \$1.40 to \$135.90 on yesterday's announcement, reflecting concern about the continuing impact of the weak yen on demand from Japanese consumers.

Gucci's spring fashion collection received a lacklustre response from the press when it was unveiled in Milan last October, after several seasons of rave reviews since Mr Tom Ford's appointment as chief designer.

Ready-to-wear sales, which had shown strong growth in previous seasons, suffered a slight decline from \$17.46m to \$17.04m during the first quarter. Fashion represents a relatively small part of Gucci's turnover, but is extremely important in terms of generating publicity and defining the brand's image. Mr Ford's latest collection, the autumn range presented in March, was acclaimed by the press.

The only other products to falter in the first quarter were ties and scarves, which suffered a 25 per cent reduction in revenue to \$3.57m. Gucci said the decline was seasonal and expressed confidence that sales would recover in the second half.

Leather goods showed strong growth of 42 per cent from \$11.85m to \$16.85m, and shoe revenues rose 30 per cent from \$35.11m to \$45.74m. Other products, including the new home-wares range, saw revenue increase by 40 per cent to \$13.07m.

Mr de Sole said Gucci was pressing ahead with a store opening and refurbishment programme.

The first of the new flagship Gucci superstores is scheduled to open on London's Sloane Street in early autumn.

DK cuts costs, Page 27

Amer sees return to black in 1998

By Greg Melvor in Stockholm

Amer, the struggling Finnish sporting goods group which owns the US-based Wilson brand, yesterday reported narrowed losses in the first four months. But it said it would not reach break-even this year.

Mr Roger Talerio, the chief executive brought in a year ago to turn Amer around, said aggressive cost cutting would yield a significant improvement this year. The group would return to profit in 1998, he said.

The company had previously suggested it might break even this year, but Mr Talerio said it wanted to be "a little more prudent". But he added this did not mean any slackening in Amer's recovery.

Pre-tax losses narrowed from FM118m to FM52m (\$10m), or from FM4.90 a share to FM2.20. Amer's shares gained FM4 to close at FM98.

"Our restructuring and cost-cutting is exactly on schedule after the first four months," Mr Talerio said, adding that all units would perform "better than last year".

Amer's operations include Wilson sporting goods - its sponsored stars include Steffi Graf, who this week is defending her French Open title. It also owns Atomic ski and Oxygen snowboards and in-line roller skates.



Steffi Graf, the top seeded player currently defending her French Open title, is sponsored by Amer's Wilson unit

Losses have been heaviest at the Wilson golf arm, particularly in the US. Mr Talerio said this was the only unit which would stay in the red this year, but it would return to profit in 1998.

Amer has restructured the division heavily, shedding about one-third of the workforce and seeking to shift its focus from mass-market equipment to higher-margin premium products.

Mr Talerio said a series of new products had been launched or were in the pipeline, but these would not have a full effect on earnings until next year.

The loss-making MacGregor Golf brand was sold in February to Masters International, of the UK, for about FM90m. The gain was booked in the 1996 accounts. Operating losses decreased from FM78m to FM12m, although turnover slipped from FM1.6m to FM1.48m. The company forecast a full-year figure of FM4.5m.

Berendsen shares jump 12% on demerger plan

By Hilary Barnes in Copenhagen

Shares in Sophus Berendsen, the Danish group which owns 56 per cent of the UK-listed company Rentokil, jumped more than 12 per cent yesterday after it announced a demerger of its businesses.

It told shareholders it planned to break the group into two parts. A new investment company called Ratin will hold 90 per cent of Sophus Berendsen's Rentokil stake, and the group's remaining businesses, including its laundry and distribution operations, will be placed in another company retaining the Sophus Berendsen name.

The announcement sent the group's share price up from DKK690 at Wednesday's close to DKK1,050 in after-market trading last night.

Sophus Berendsen has suffered from a hefty discount on its shares. Its year-end market valuation was DKK20.02m (\$3.1bn), though the market value of its shares in Rentokil alone was DKK22.6bn.

By removing the discount, the demerger should reward shareholders by equalising the price of the Rentokil shares held through Berendsen with the market price listed on the London Stock Exchange, the group said.

The demerger will take place with effect from January 1998, assuming shareholder approval is secured this year.

The demerger follows Rentokil's acquisition last year of rival services company BET, which diluted Berendsen's holding in Rentokil from 51 per cent to 36 per cent.

Berendsen last year promised not to reduce its shareholding in Rentokil from its present level for five years. This pledge was not affected by the demerger, said Mr Robert Koch-Nielsen, Berendsen chairman.

Berendsen's operational interests include a textile services and distribution companies for industrial components. Their combined turnover was about DKK9.7bn in 1996, but yielded a meagre profit of DKK148m. The group's share of Rentokil's profits was DKK1.14bn.

Banking behind advance at ING

ING Groep, the Dutch financial services group, yesterday underlined its conservative image when it announced a 21 per cent increase in first-quarter profits but declined to make a forecast of its full-year prospects. Barings reports from Amsterdam.

Although the result met market expectations - and would have surpassed them but for further provisions for future expenses - shares in the group slipped on profit-taking.

Net profit in the first three months of 1997 grew from F178m a year earlier to F189m (\$467m), continuing the momentum of 1996 when earnings rose 25 per cent. "After the excellent results for 1996, the result for the first three months of 1997 showed continued strong growth," ING said.

As in 1996, the group's international banking operations were the main profit driver, increasing earnings by 26 per cent against a 15 per cent rise by the insurance activities.

ING said business volumes rose considerably, with life premium income growing 12 per cent, non-life premiums 12 per cent and banking

income 23 per cent. It identified the Netherlands, North America and Australia as sources of strong profit growth from life and non-life insurance.

The group said strong growth in the volume of loans outweighed a narrowing of interest margins to produce a 17.9 per cent increase in net interest income.

Bullish financial markets contributed to the 40 per cent boost in trading income and an increase in assets under management, and ING Barings and Barings Asset Management figured prominently as commission income surged 37 per cent. BAM and part of ING Barings were formerly owned by Barings, the British merchant bank which ING rescued in 1995 after Barings almost collapsed from derivatives losses.

ING also set aside another F120m for future expenses such as the introduction of the euro single currency, the millennium restructuring and information technology. This charge, most of which relates to banking, is in addition to F150m set aside for future expenses in 1996.

EUROPEAN NEWS DIGEST

Bezeq hit by high financing costs

Bezeq, Israel's state-controlled telecommunications company, yesterday reported a 9.3 per cent fall in net income for the first quarter. But operating profits soared 36 per cent, ahead of the introduction of competition in the international telephone services this weekend.

Net income fell from Shk155.5m to Shk141.1m (\$43m), while earnings per share slipped from Shk0.21 to Shk0.19. Analysts said the decline was because of high financing expenses rather than a loss in earnings. Expenses rose from Shk58.4m to Shk131.5m, including debt repayment to banks and to the government. The state, which holds a 76 per cent stake in Bezeq, intends to sell 24 per cent later this year through an international and domestic offering.

Operating profits surged from Shk268.9m to Shk367.5m, while consolidated revenues from telecom services rose 7 per cent from Shk4.02bn to Shk4.16bn. "The revenues have held up well and operating profits are very good," said Mr Keith Phillips, analyst at Société Générale. "We will see what happens when the effects of competition kick in during the summer."

Deregulation of the international telephone network is expected to lead to a 70 per cent drop in the price of calls, which is likely to affect Bezeq's profitability. Net profits last year were Shk656m on revenues of Shk8.2bn, with international services accounting for nearly one-third of sales.

Judy Dempsey, Jerusalem

Dollar debt pulls Saga down

Saga Petroleum, the Norwegian oil explorer, has been hit by a paper loss of about Nkr1.1bn (\$142.85m) on its US dollar debt. The financial charge was disclosed in results published yesterday for the first four months of the year. It caused Saga's net income for the period to fall from Nkr405m to Nkr109m.

But operating income rose 60 per cent to Nkr1.38bn because of 53 per cent growth in production and a 7 per cent rise in oil prices in kroner terms. Pre-tax income was Nkr203m compared with Nkr94m. The volume increase was larger than expected.

Much of the rise was attributed to the acquisition last year of Santa Fe exploration company from the Kuwait Petroleum Corporation. UK operations contributed Nkr616m of the Nkr3.4bn of operating revenues.

Robert Corzine, London

Gedeon Richter raises \$202m

The domestic offering of a 1.1 per cent stake in Hungarian pharmaceuticals company Gedeon Richter closed yesterday after moderate demand for what, in Hungarian terms, is expensive stock at Ft14,160 (\$78) a share. The domestic offer was of 200,000 shares, with priority given to retail investors buying a maximum 50 shares.

As an incentive, small investors could pay half the sale price in cash and the remainder interest free within one year. In spite of the incentives, the local offering failed to ignite investor enthusiasm.

Together with last week's international offering of 2.8m shares - a 14 per cent stake - the sale raised some \$202m. The international offer was 4.5 times oversubscribed, which analysts believe helped drive up the share price on the Budapest stock exchange to above Ft15,000 this week. "All the growth has been discounted in the price. I don't see it outperforming the market in the short term until news of an expected acquisition in eastern Europe takes place," said Mr Tamas Szalai, of Concorde Securities.

Kester Eddy, Budapest

RAO Gazprom 1996 Annual Results

Extracts from a message to Shareholders from the Chairman of the Board and Chairman of the Management Committee

"Notable achievements in a complex environment"

World's largest gas reserves

- The Company controls the world's largest gas reserves and its production provided more than a half of Russia's demand for energy resources
- The Company's taxes amount to 25% of all tax revenues of the federal budget
- The Company also proved that it is powerful enough to be the backbone of the national economy during this difficult period of transition
- Gazprom's business activities were characterized by stability and reliable supplies to gas consumers in Russia and abroad

Stability and reliable supplies to gas consumers

- Gas production increased by 5.2 bcm and 245 wells and 2,889 km of pipeline were put into operation
- Construction of the Yamal-Europe project, a pipeline from the Yamal Peninsula to Germany, proceeded smoothly
- Gazprom is capable of producing up to 1,740 mln m³ of gas per day
- A stabilization of gas consumption rates in Russia gives us a good reason to look optimistically at domestic sales prospects
- Last year the total volume of gas deliverable in the future under long term contracts increased by 51%

Law payment discipline

- Decline in production in the main branches of the Russian economy greatly undermined payment discipline
- Non-payments for gas by consumers in Russia and "near abroad" countries reached 68.3 trillion rubles at year end
- The company received only 61% of sales value of gas delivered to the Russian market
- Due to a majority of state sector gas consumers delaying their payments, Gazprom is a net creditor of the federal budget
- Inability to pay on the part of the consumers greatly affected the ratio of the Company's accounts payable to accounts receivable

- Following extensive discussions with government, the necessity of further strengthening RAO Gazprom as a single entity and the flagship of the Russian economy has been reaffirmed

Significant changes to ensure a considerable increase in the Company's effectiveness

- During the year, the Company performed extensive preparatory work to introduce significant changes in the organizational structure of the industry, thereby ensuring a considerable increase in its effectiveness
- All drilling enterprises of RAO Gazprom were united into one separate company
- Subsidiaries engaged in gas production are being transformed into limited liability JSCs to perform only their direct function i.e. gas production
- To centralize gas sales, the Company established Mezhraygaz company, which has branches in more than 60 regions of the country, to improve its financial performance through optimizing cash flows and settlements with gas consumers
- Enterprises not related to gas production and transportation will be converted into separate commercial structures and subsequently transferred into enterprises engaged in independent activity
- The third stage of reorganization will deal primarily with the system of managing joint ventures established with Gazprom's participation both in Russia and abroad
- The objective of structural changes is to promote competition in regional gas markets, expedite payment for supplied gas, reduce overheads and increase the Company's profits

A.Kazakov

Chairman of the Board

R.I.Yakhirev

Chairman of the Management Committee

RAO Gazprom Consolidated Financial Data As At 1 January 1997		Bln. roubles
Fixed assets		359,701
Net assets		471,288
For the year ended 31 December 1996		
Sales of products (works, services) less VAT and excise tax		115,536
Balance-sheet profit		45,091
Profit tax		11,876
Net profit		33,215
Profit put to use		29,908
Share of minority in loss		46
Retained profit of reporting year		9,353

The consolidated financial data above were prepared in accordance with Russian accounting standards which differ to a significant extent from international accounting standards.

RAO Gazprom 1996 Annual Results

Notification of the annual meeting of the shareholders

The Management Committee of RAO Gazprom announces that the annual shareholders meeting will be held on 28 June 1997 in the Headquarters RAO Gazprom in Moscow.

Agenda of the meeting:

- Approval of the membership of the Commission for Vote Counting.
- Approval of the Annual Report on the consolidated statements performance of the Company in 1996, balance sheet, profit and loss account, report on distribution of profits and losses.
- Approval of the audit report on the financial results of the Company in 1996.
- Approval of the report on the results of the Company's operation in 1996 made up by the Revision Commission.
- Approval of the amount of dividends to be paid on one ordinary share, based on Company's financial results in 1996, and the order of such payments.
- Approval of the amount of remuneration and compensation to the members of the Management Committee, who don't belong to the Central Authority as well as to the members of the Revision Commission.
- Approval of the remuneration of the auditors.
- Election of the members of the Management Committee of the Company.
- Election of the members of the Revision Commission of the Company.

Introduction of changes into the Charter of the Company. The materials, which are presented to the ADS holders in the course of preparation for the meeting, are available as of 7 June 1997 in Gavin Anderson & Company, London office (New Liverpool House 15-17 Eldon Street London EC2M 7LA, telephone 0171-457-2345, fax 0171-457-2330).

COMPANIES AND FINANCE: THE AMERICAS

American Airlines in surprise bid

By Richard Tomkins in New York

American Airlines, the second-biggest US carrier, yesterday launched a surprise attempt to grab control of one of the busiest air routes in the US - the US Airways Shuttle running between Boston, New York and Washington.

It said it had struck a deal with the banks that own 53 per cent of the shuttle. But US Airways, which owns the other 47 per cent, indicated that it would exercise its right to buy out the banks' stake rather than lose the route to American.

Wall Street analysts said that if US Airways decided not to exercise its

option, a bid battle for the shuttle could break out between American Airlines and other carriers such as United Airlines and Northwest Airlines. The route could fetch up to \$500m, said Mr Raymond Neidl, an analyst at Furman Selz.

The US Airways Shuttle serves the densely populated East Coast corridor in competition with the Delta Shuttle, owned by Delta Air Lines, and Amtrak's Metroliner rail service, currently undergoing an upgrade.

The shuttle used to be owned by Mr Donald Trump, who bought it for \$360m from Eastern Air Lines in 1989 and renamed it the Trump

Shuttle. The banks, led by Citibank, took control when Mr Trump ran into financial difficulties and stopped paying interest on the debt.

In 1992 the banks signed a deal with US Airways - then USAir - under which the airline would operate the route. At the end of five years, US Airways would have the option to buy the banks' controlling stake in Shuttle Inc, the shuttle's newly established parent.

Under the agreement, US Airways has the right to buy the banks' stake at a fair market value to be agreed by both parties. If it declines, and the banks receive another offer, US

Airways has the right to buy at the same price offered by the bidder.

American declined to say how much it had offered the banks, or why it wanted to buy the route. Furman Selz's Mr Neidl said: "American wants it because it's a semi-monopoly, high-yielding operation and produces very strong cash flow. There are not many domestic routes left like that in the US. In fact, this is the only one."

US Airways said it had exclusive contract rights to buy the shuttle and was "working under our agreement with the banks that own the shuttle to determine how we will proceed".

NBC signs deal with Televisa

By Christopher Parkes in Los Angeles

NBC, General Electric's broadcasting arm, has reinforced its presence in Spanish language broadcasting through a distribution deal with Mexico's Grupo Televisa for its CNBC business news service.

Televisa, Mexico's biggest media group, said yesterday it would transmit CNBC programming on its Conexión Financiera business channel, available throughout Latin America and Spain.

The US group plans to set up studios and office space in Mexico City. The new service will start early next month.

The link is the second collaboration between the two companies in the past few days. It follows an agreement last week under which CNBC and MSN, NBC's joint venture with the Microsoft software group, will be carried on the Sky Mexico satellite television service.

Sky Mexico is a part of an international Spanish-language satellite venture involving News Corporation, Televisa and others.

Although Latin American television markets, especially satellite, are relatively underdeveloped, US companies' involvement was encouraged by last year's satellite TV pact between the US and Mexico.

This in effect opened the frontiers between the two neighbours, allowing reciprocal access for broadcasters from both sides.

Several US companies have established firm connections with Mexican groups as a means of establishing a foothold in the promising Latin American market while reaching the fast-growing Spanish-speaking US population in regions stretching from Florida to California.

Sky Mexico's main cross-border rival is Galaxy Latin America, which combines the forces of DirecTV, the leading US satellite provider, and Mexico's Multivision.

Richard Tomkins

AMERICA'S NEWS DIGEST

US equity funds attract \$15.74bn

US equity mutual funds attracted a net \$15.74bn in new cash last month, higher than originally estimated, the Investment Company Institute announced yesterday. The figures confirm that inflows from small investors are at high levels by historical standards, although below the record pace set last year. Total inflows for the first four months of this year were \$73.73bn, compared with \$98.60bn in the first four months of 1996.

Last year's record levels of new mutual fund investment had a strong impact on confidence among market dealers, although technical analysts dispute whether the flows significantly moved stock prices, as they were counter-balanced to an extent by sales of individual equities and institutional funds.

The industry now manages total equity assets of \$1,379bn, up from \$1,473.7bn. When other assets, including bonds and cash, are included, the industry manages \$3,729bn, an increase of more than \$600bn over the past 12 months.

Bond fund flows remain relatively low by historical standards, as they have been since the bear market in bonds of 1994. Inflows last month were \$786.1bn, reversing the \$2.01bn outflow in March. For the first four months of the year, bond funds took in \$4.63bn, barely half the \$8.49bn they netted in the equivalent period last year.

John Authers, New York

Australian buy restricts FD

Toronto-Dominion Bank's second-quarter earnings climbed 9 per cent, but were held back by the cost of acquiring Pont Securities, an Australian discount broker.

Net earnings rose to C\$240m (US\$173m), or 79 cents a share, in the three months to April 30, from C\$220m, or 70 cents, a year earlier. The latest figure includes the C\$38m after-tax cost of the Pont purchase, which consolidated TD's position as one of the world's biggest discount brokerages.

Return on equity edged up to 15.2 per cent from 15.1 per cent. Assets grew to C\$153.2bn on April 30 from C\$147.4bn a year earlier.

Loan loss provisions fell slightly to C\$44m. The impaired loans portfolio shrank to C\$367m from C\$514m a year earlier.

Mr Charles Baillie, chief executive, predicted a stronger performance for the rest of 1997 due to accelerating economic activity in Canada. The outlook for Canada's economy "is better today than at any other time this decade," he said.

Bernard Simin, Toronto

Poor result hits Novell shares

Shares of Novell, the US network software group, fell 4 per cent yesterday after it reported worse-than-expected second-quarter results and a restructuring that includes 1,000 job cuts. The stock was off 4 1/2 to 4 7/8 on Nasdaq volume of 6.4m, compared with average daily volume of 3.9m.

The company reported after the market close on Wednesday a loss of 4 cents a share, compared with a loss of 15 cents in the year-ago period. Analysts had expected net income of 3 cents a share.

AP-Dow Jones, New York

CORRECTION

Compass Holdings

The figure reported yesterday for the debt to be assumed by Compass Holdings in its acquisition of Data International was incorrect due to an agency error. The correct figure was \$87.8m.

Battered PepsiCo licks its wounds

US drinks group is rethinking its strategy in markets dominated by Coca-Cola

PepsiCo's decision to close down its Pepsi-Cola operations in South Africa marks a humiliating retreat for the world's second-biggest soft drinks company - but it is unlikely to be the last.

Battered by the competition from Coca-Cola, its bigger and more successful rival, PepsiCo is carrying out a painful examination of its international markets to determine whether Pepsi-Cola has a viable future in countries where Coca-Cola is the dominant player.

"We are moving ahead, and we are fully committed to aggressively developing our global business," Pepsi-Cola said yesterday. "But in markets where the business proposition is not sustainable, we have to make the difficult decision to move on, and that is what happened in South Africa."

Until recently, Pepsi-Cola had been determined to vie with Coca-Cola for world domination. It ploughed money into what many saw as a quixotic attempt to beat Coca-Cola in some of its strongest territories.

But last year it became evident that the plan had gone awry. Pepsi-Cola's biggest international bottler, Beesa of Argentina, ran into financial difficulties; the company's Venezuelan bottler defected to Coca-Cola; Pepsi-Cola International's losses began to climb; and Mr Christopher Sinclair, head of the soft drink business, abruptly departed.

Last September, PepsiCo

PepsiCo: losing its way

Mexico Bottler Cerveza hit problems after expanding too fast. Pepsi's market share fell from 28% to 22% in 1996

Argentina Beesa Bottler heavy losses at Pepsi's biggest international bottler Beesa, (24% owned by Pepsi)

South Africa Distributor New Age Beverages suspends trading

Venezuela Bottler Cerveza defected to Coca-Cola. Pepsi now allied to Empanesa Polar

Share price relative to the S&P Composite

Source: Investment

1996

Turnover (\$bn)

Operating profits (\$bn)

Soft drinks

Snack foods

Restaurants

TOTAL

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COMPANIES AND FINANCE: THE AMERICAS

Donna Karan plans \$4.8m in cost cuts

By Alice Rawsthorn

Donna Karan, the troubled US fashion house, is shedding staff, reducing its product range and cutting back on fashion shows as part of a rationalisation programme intended to save \$4.8m this year.

The cost-cutting package, which involves the loss of 53 jobs and abandoning the New York runway shows for Karan's spring 1998 men's collections, follows the announcement earlier this month of a collapse in first-quarter profits.

Donna Karan, one of the best known US fashion designers whose clients include Demi Moore and Barbra Streisand, was hit by production problems and rising costs during the first quarter. Net income fell from a pro forma \$6.2m a year earlier to \$906,000.

The profits collapse was the latest in a series of problems to cloud the company

since its flotation on the New York stock market last summer.

Karan's shares rose from their issue price of \$24 to a peak of \$28 on the first day of trading. They have since fallen sharply, and slipped 25 cents, to \$11.50, after yesterday's announcement.

The rationalisation plan is intended to restore profits growth from the second quarter onwards. The cost will be expressed as a \$4.8m pre-tax restructuring charge, together with other pre-tax charges totalling \$3.6m, including severance payments.

Karan hopes that the 53 redundancies and a recruitment freeze will reduce overheads by a total of \$2m this year.

The company is also restructuring operations by folding the loss-making Donna Karan New York Accessories unit into the home furnishings division, and merging its creative ser-

vices and retail development units.

In addition to cancelling the runway shows for the spring 1998 men's collections of the Donna Karan New York and DKNY brands, it has abandoned plans to show the Donna Karan New York women's range in Milan next October. The collection will instead be shown in New York, which is expected to be less expensive.

Further economies will be sought by making the Donna Karan New York women's collection available to retailers four times a year, rather than six. Other targets for cost-cutting include advertising, sampling and executive bonuses.

Karan said it would continue to develop its beauty business, for which it hopes to negotiate a sale or licensing venture. The DKNY Jeans range will also be unaffected by the rationalisation, and exempt from the hiring freeze.



Donna Karan: shedding 53 jobs after recent profits collapse

Tough Texan sets sights on AT&T

I asked last week where the future of the \$200bn US telecommunications industry would be shaped, few would have guessed San Antonio in Southern Texas. San Antonio, however, is home to SBC Communications, the country's biggest local telephone company, which has established one of the best track records of any of the so-called Baby Bells: at 15 per cent, its after-tax profit margin last year surpassed all rivals.

It takes a big leap of the imagination, however, to believe that San Antonio's biggest company is about to play the pivotal role in the restructuring of the US telecoms industry. And that, in turn, has touched off a storm of rumors and gossip about what lies behind the talk this week of a merger between SBC and AT&T, a combination that would rank as the mother of all corporate mergers and would, in all probability, force a realignment of the entire sector.

Adding particular zest to the potential combination has been the widely-touted view that it could amount to a reverse takeover of AT&T by an SBC management team led by the redoubtable Mr Edward Whitacre.

A Texas native renowned for his toughness rather than his talking, Mr Whitacre has a way of making an impact: his move to take three corporate jets soon after taking on the top job at

SBC in 1990, for example.

Such an anecdote raises the prospect of the Texan cutting a more drastic swathe through the bureaucracy of the US's biggest telecoms company than that promised by Mr John Walter, the outsider recently brought in as his apparent AT&T chairman, Mr Robert Allen.

However, most rival telephone companies and industry analysts give the deal very little chance of actually being completed.

On the face of it, Mr Whitacre and his management team might make a reasonable fist of running AT&T, a company which is still trying to recover from the twin traumas of last year's unexpected erosion in its market share in long-distance calling and the departure of a swathe of top executives.

Where AT&T's success with acquisitions has been patchy, SBC's has been almost positive. Ten years ago, while Mr Whitacre was chief financial officer, it paid more than \$1bn to buy its way into the cellular telephone business, then spent another \$1bn in the early 1990s for a 10 per cent of Telcel, the Mexican carrier.

The first turned out to be the foundation for one of the country's biggest cellular networks, while the second has proved a sound investment, more than doubling in value.

Capping both was SBC's purchase of PacTel, whose



Making the connection: Edward Whitacre (left) of SBC, and Philip Quigley, PacTel chairman and chief executive

California base made it one of the most attractive of the Baby Bells. Mr Whitacre took advantage of his own company's superior stock market rating, and the uncertainty that followed last year's Telecoms Act, to buy the company cheaply.

Also to the SBC boss's credit has been his success in expediting services to his local customers - a skill that is in great demand now that the previously compartmentalised segments of the US telecoms market are beginning to merge. SBC, for instance, leads the pack in selling Caller ID - one of the most profitable add-on services for local companies - to 37 per cent of its subscri-

bers, and in selling cellular service to 10.5 per cent of its local customers.

But, according to Mr Anna-Maria Kovacs, an analyst at Jamey Montgomery Scott in Boston, "What [Mr Whitacre] has yet to prove is that he can run a company in a very competitive market".

However, all this will be academic if, as most observers expect, the talks about a merger lead nowhere. Uniting the US's two biggest telecoms companies would stretch the patience of anti-trust regulators at the best of times.

Adding extra political heat is the concern being expressed in Congress at the failure of last year's Act to instill greater competition: reuniting two parts of the old national Bell system, broken up in 1984, would not be seen as a way of furthering competition.

Such considerations have prompted questions about whether Mr Whitacre's talks with AT&T amount in large part to a tactical manoeuvre. While other telephone companies have targeted small parts of the \$100bn local calling market, only AT&T has announced plans to seize a large share of the industry nationally. What better way to neutralise that threat than tie the company up in negotiations that could keep AT&T from trying to compete in SBC's core markets for the next two years or more?

That is certainly the concern of local consumer advocates. "If AT&T is out of the way, there won't be a lot of companies that are able to compete in a big way in the local markets," says Ms Janee Brysmester, senior policy adviser at the Consumers Union in Austin.

Ms Kovacs adds, of the prospect that AT&T will devote huge resources and time to pursuing a merger: "This is not a marketplace you want to sit around in for two years tied up in knots." For Mr Whitacre, if a deal with AT&T proves impossible, that may prove to be a worthwhile second prize.

Richard Waters

Fortis AMEV

At the Fortis AMEV General Meeting of Shareholders on 28 May 1997, it was decided to set the dividend for the 1996 financial year at NLG 1.50 per ordinary share with a nominal value of NLG 1.00. Of this sum, NLG 0.68 has already been paid out as an interim dividend, so the final dividend will be NLG 1.22.

This year, once again, shareholders and holders of depositary receipts for shares may, at their option, take the final dividend either wholly in cash or wholly in the form of shares (or depositary receipts for shares, as appropriate), with the shares being charged to the shareholder's premium reserve or to the profit on the financial year. As in previous years, given Fortis AMEV's strong financial position, we want to emphasize cash dividend.

Optional stock dividend

Shareholders and holders of depositary receipts for shares can make known their choice of cash, shares or depositary receipts for shares until 29 May 1997 (or 30 May 1997 for those shareholders who have opted for a cash dividend). On 18 June 1997, after the closing of the AEX Stock Exchange (Amsterdam) on Wednesday 18 June 1997, we will announce how many dividend entitlements give an entitlement to one new share. This will be determined on the basis of the closing rates for the depositary receipts for shares on the Amsterdam Stock Exchange on 18 June 1997. In the case of dividend payments in the form of shares (or depositary receipts for shares, as appropriate), the number will be set in such a way that each dividend entitlement will be worth less than NLG 1.22, the final cash dividend. The difference will not exceed 5%.

The new shares or depositary certificates will give an entitlement to dividend over the 1997 financial year and the financial years which follow.

There will be no trading in dividend entitlements on the Amsterdam Stock Exchange.

The timetable is as follows:

28 May 1997	General Meeting of Shareholders
29 May 1997	Ex-dividend quotation for depositary receipts for shares
30 May 1997	Period for making choice known
18 June 1997 (before close of trading)	Cash dividend payable
18 June 1997 (after close of trading)	Determination of exchange ratio and transfer of new shares

Registered shareholders will be informed individually about the final dividend.

Holders of depositary receipts for shares are requested to make their choice known through their bank or broker to the N.V. Nederlandse Administratie op Trustantoren in Amsterdam. If holders of depositary receipts for shares fail to inform the bank or broker in time about their decision, the bank or broker will generally make a decision on a holder's behalf.

Holders of depositary receipts for shares whose decision has not been received before the close of the AEX Stock Exchange on 18 June 1997 will receive the dividend in cash.

From 6 June 1997 onwards, the cash dividend will be available from the head offices of the following banks after deduction of 25% dividend withholding tax:

MeesPierson N.V.	KBW Effectenbank N.V.
ABN AMRO Bank N.V.	Rabobank Nederland
Generale Bank Nederland N.V.	VSB Bank N.V.
ING Bank N.V.	

in Amsterdam, Rotterdam and Utrecht, insofar as the banks have premises there and from Barclays Bank PLC, 8 Angel Court, Throgmorton Street, London EC2R 7HT, United Kingdom, and Fortis Bank Luxembourg at the head office in Luxembourg.

Holders of depositary receipts for shares who decide to take the dividend in the form of depositary receipts for shares should, at the same time, have their dividend entitlements transferred to the CF depositary code 5.252 of the N.V. Nederlandse Administratie op Trustantoren, Herengracht 420, 1017 BZ Amsterdam.

The institutions of the AEX-Effectenbeurs nv will be paid a commission for the exchange of dividend entitlements in accordance with circular 90-66 of the AEX-Effectenbeurs nv, so that the transaction can be free of commission charges to the holder.

Utrecht, 29 May 1997

Fortis AMEV nv
on behalf of the Executive Board,

J.L.M. Bartelds
Chairman

Archivedeestras 6
3584 BA UTRECHT
The Netherlands

This announcement appears as a matter of record only

Board of Trade
Clearing Corporation

US\$100 million three year
capital markets insurance cover

Arranged and Structured by
AIG Combined Risks Ltd

May 1997

Insurance Company
Lexington Insurance Company



PAN-HOLDING

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7, Place du Théâtre, Boite Postale 408, L-2014 Luxembourg
Téléphone: (352) 46 24 01/46 24 02 Téléfax: (352) 46 25 27

Ladies and Gentlemen,

DIVIDEND PAYMENT FOR THE FISCAL YEAR 1996
TO THE DIVIDEND SHARERS

Please be informed that the Annual General Meeting, held on April 29, 1997, has declared for the fiscal year 1996 a dividend of US\$ 6.10 (six US dollars ten cents), free of withholding tax in Luxembourg, per Dividend Share outstanding as at the close of business of stock exchanges on May 30, 1997.

The amount corresponding to the dividend will be attributed to the Capital Shares.

On the Dividend Shares, the dividend will be paid as of June 2, 1997 as follows:

I - Registered Shares:

The holders of registered shares will receive by bank transfer or cheque the dividend to which they are entitled.

II - Bearer Shares:

Holders of bearer shares may present for payment, as of June 2, 1997, coupon No. 3 of the Pan-Holding S.A. Dividend Shares of US\$ 60 to:

Midland Securities Services,
Client Delivery,
Midland Bank plc,
Mariner House,
Peapack Street,
GB - London EC3N 4DA.

Income tax of 20% will be deducted, unless the coupons are accompanied by an Inland Revenue Affidavit.

FORFEITURE OF DIVIDEND

Please note that the dividend declared for the fiscal year 1996 (payment date: July 1, 1997) and unclaimed either for registered or bearer shares before July 1, 1997 will be declared as forfeited for the benefit of the Company.

For bearer shares, coupon No. 52, representing the dividend for the fiscal year 1996, will be forfeited on July 1, 1997.

Truly yours,

THE BOARD OF DIRECTORS

DAIMLERBENZ

AKTIENGESELLSCHAFT

Dividend Announcement

Our 101th Shareholders' Meeting resolved on May 28, 1997, to pay for the 1996 financial year a dividend of 1.10 DM from the unappropriated profit of 649 million DM on each ordinary share of 5 DM par value.

In the United Kingdom, the dividend will be paid after deduction of 25% German capital yields tax and 7.5% solidarity surcharge on capital yields tax against submittal of dividend coupon No. 64, commencing May 30, 1997, by Deutsche Bank AG London.

Under the conditions provided by the U.K. Double Taxation Agreement of November 26, 1964, as amended by the Protocol of March 23, 1970, the German capital yields tax will be reduced to 15% and the solidarity surcharge on capital yields tax will be rescinded for shareholders resident in

the United Kingdom. To claim the refund, shareholders are required to submit an application for refund by December 31, 2001 at the latest. This application is to be addressed to the Bundesamt für Finanzen, Friedhofstrasse 1, D-53225 Bonn.

Payment in the United Kingdom will be made in Pounds Sterling converted from Deutsche Mark at the exchange rate prevailing on the date that the dividend payment is made.

Stuttgart-Möhringen, May 30, 1997

Daimler-Benz AG
The Board of Management

Kleinwort Benson
Group plc

(formerly Kleinwort Benson Limited plc)

U.S. \$100,000,000
Primary Capital
Undated Floating Rate Notes

U.S. \$125,000,000
Primary Capital
Undated Floating Rate Notes
(Series Two)

For the Interest Period May 30, 1997 to November 28, 1997 all the above Notes will carry a Rate of Interest of 6.375% per annum with a coupon amount of U.S. \$322.25.

By: The Chase Manhattan Bank
London, Agent Bank
May 30, 1997

YOKOHAMA ASIA LIMITED

(Incorporated in Hong Kong)

U.S. \$100,000,000

GUARANTEED FLOATING RATE NOTES DUE 1997



Unconditionally and irrevocably guaranteed by
THE BANK OF YOKOHAMA, LTD.
(Incorporated in Japan)

Notice is hereby given that the Rate of Interest has been fixed at 6.025% per annum and that the interest payable on the relevant Interest Payment Date August 29, 1997 against Coupon No. 48 in respect of US\$10,000 nominal of the Notes will be US\$153.25 and in respect of US\$250,000 nominal of the Notes will be US\$3,531.15.

May 30, 1997, London
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank
May 30, 1997

CITIBANK

COMPANIES AND FINANCE: ASIA-PACIFIC

ANA names chief and revamps board

By Michio Nakamoto
in Tokyo

All Nippon Airways, Japan's second largest airline which has been rocked by an internal power struggle, named a new president for the second time this month and said that five of its top board members would resign their posts.

ANA named Mr Kichisaburo Nomura, currently senior managing director, as its new president-elect, after Mr Kenzo Yoshikawa, who had been nominated, declined the post.

Meanwhile, five of the company's board members will leave the board. They include Mr Tokuyuki Wakasa, honorary chairman; Mr Takaya Sugura, chairman; Mr Seiji Fukatsu, president; and two executive vice-presidents.

The latest development at ANA, which has been criticised by the Japanese business community and government officials for the recent public display of power politics, represents a final victory for Mr Fukatsu, the reformist outgoing president. He decided to resign after a

clash with Mr Wakasa over personnel matters.

Mr Fukatsu's resignation triggered an outburst of criticism against Mr Wakasa and Mr Sugura, both of whom joined ANA from the Ministry of Transport.

Mr Wakasa's continuing authority at ANA - after he was charged in the Lockheed bribery scandal, in which the then prime minister was arrested - was seen as evidence of the continuing influence wielded by bureaucrats and their old-boy networks over private companies.

Transport ministry officials, unhappy about the reputation the situation was giving them, were openly critical of the two.

The new president, Mr Nomura, was known to be close to Mr Fukatsu and has asked the outgoing president to remain as an adviser to the company.

"Mr Fukatsu has come out of it positioning himself as a shadow samurai," commented one industry official. ANA officials will hope that the saga, which has badly damaged its public image, is now over, as the

company announced a rise in sales and profits in the year just ended.

An increase in passengers helped sales advance 5 per cent to ¥887.5bn, compared with ¥845.9bn, and recurring profits climbed 3 per cent from ¥16.8bn to ¥17.3bn.

Net profits rose 30 per cent from ¥3bn to ¥3.9bn.

ANA suffered a 34 per cent decline in operating profits, mainly as a result of higher fuel costs.

A rise in oil prices as well as the stronger dollar led to a 20 per cent rise in ANA's fuel costs last year to ¥124bn.

Meanwhile, the company saw a fall in yield as a result of new zone fares which led to the introduction of a wide variety of discounts.

ANA said it expected fuel costs to rise again this year by about ¥12bn.

The company plans to invest heavily in aircraft this year, which will lead to a moderate rise in recurring profits and flat net profits on higher revenues.

ANA forecast sales of ¥932.5bn, recurring profits of ¥17.5bn and net profits of ¥3.9bn.



Kichisaburo Nomura: named ANA president after the initial nominee declined the post

Debt level sets off car alarm

Analysts fear motor unit's losses could drag down Ssangyong

In a year that has seen several big South Korean corporate bankruptcies, analysts are speculating about the fate of Ssangyong, the nation's sixth biggest conglomerate, or chaebol.

Mounting losses and debts at Ssangyong Motor, its car division, are raising alarm bells. An ambitious expansion of production capacity and the development of new models has left the company with estimated debts of Won3,200bn (\$2.2bn), 15 times its equity.

Interest payments of nearly Won1bn a day resulted in a record net loss of Won229bn in 1996, its fifth consecutive year of deficits.

"This is big enough to sink the whole ship, the entire armada of Ssangyong companies," says one analyst. The group's 25 subsidiaries include cement, oil refining, financial services and trading, with total sales of Won19,800bn last year.

Ssangyong dismisses such fears as exaggerated. "The problem is only one company in the group. The other flagship companies are very healthy," says Mr Milton Kim, head of Ssangyong Investment & Securities.

Unlike other large chaebols, Ssangyong dominates only one industry - cement, which reported net earnings of only Won2bn last year. The group's most profitable business is Ssangyong Oil.

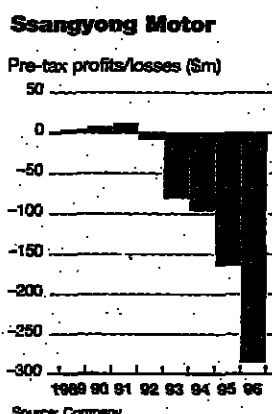
the country's third largest oil refiner, with earnings of Won134bn in 1996.

Just five years ago, Ssangyong was the second most profitable and second least indebted of the top 10 chaebol. But last year, the group suffered a total combined net loss of Won99bn because of the car division, against a profit of Won27.7bn in 1995. Group debts, which climbed to Won12,700bn, were four times its equity, although this ratio is about average for Korea's highly-leveraged industrial groups.

Worries about stagnation in the cement and oil markets prompted Ssangyong to enter vehicle production in 1986 with its acquisition of Dong Ah Motor, a small carmaker. Initially, it focused on four-wheel-drive and commercial vehicles, but it faced tough competition and produced slim profits.

The group gambled that a 1992 technological alliance with Mercedes-Benz, which included the German carmaker taking a 5 per cent stake in Ssangyong Motor, would rescue the struggling division. It produced a new sports utility vehicle, the Musso, and decided to enter the crowded domestic passenger car market with a luxury saloon, the Chairman, scheduled to be introduced this autumn.

Although sales jumped by 39 per cent to Won1,370bn



last year, the increase does not appear large enough to justify the heavy capital investments.

The financial pressure has forced the group to restructure. "The problem is that we are not making enough money. But we are planning to cut costs and improve productivity," Mr Kim says.

Its car workers have agreed to freeze wages; property assets will be sold; and subsidiaries will be reduced by four to 21 units to pare administrative costs.

Ssangyong has also offered to sell 49 per cent of the car division to foreign investors. It has had discussions with Mercedes-Benz, General Motors of the US, and several south-east Asian conglomerates. But analysts pre-

dict it will have difficulty selling the minority stake because of the carmaker's heavy debts. However, Ssangyong hopes GM will provide \$300m in new capital in return for using the company's distribution network.

Ssangyong may yet be forced to sell the entire car division. One possible buyer is Samsung, another Korean conglomerate. But Samsung officials insist Ssangyong's debt burden is too large.

"Ssangyong, like other chaebol with financial problems, is trying to sell poor assets that no one wants. Instead, it should be divesting some of its crown jewels, such as its cement and oil businesses, and use the funds so that the car company can survive," says one Samsung official.

Many analysts are worried that Ssangyong Motor is vulnerable to a credit crunch. But most believe the government will intervene to prevent its collapse in a presidential election year.

"It would be too big a hit to the fragile Korean economy," says Mr Richard Samuelson, of SBC Warburg Securities in Seoul. "If the government is supporting the rescue of smaller chaebol, it certainly won't let Ssangyong go down."

John Burton and Peter Montagnon

MAS surges to record despite higher fuel costs

By James Kyng
in Kuala Lumpur

Malaysia Airlines (MAS), the national flag-carrier, announced a 39.1 per cent increase in full-year pre-tax profit to a record M\$946.4m (US\$139m), despite rising fuel costs and stiff international competition.

Mr Tajudin Razali, chairman, said new routes had lifted capacity, while the contribution to revenue from international routes - rather than domestic routes, which tend to be loss-making - rose from about 70 per cent last year to 80 per cent.

Fuel costs rose by an average 11 US cents a gallon last year.

Group turnover climbed 13.5 per cent, from M\$5.713bn to M\$6.485bn in the year to March 31, while operating profit rose 39.5 per cent, from M\$250.3m to M\$349.3m. Net profit was M\$344m against M\$333m.

Group earnings per share were 43.8 cents, compared with 33.3 cents last year.

Mr Tajudin said there had been some cost cutting, but did not detail the savings.

Analysts were puzzled as to where the surge in profits had come from, even after the capacity increases and

what Mr Tajudin described as "some" increase in yields. Mr Tajudin said the growth had stemmed from mainstream airline operations and not from extraordinary items or subsidiaries.

The company derived M\$43.8m last year from the sale of two Boeing 737-400 aircraft.

The overall load factor fell 2.0 percentage points, to 60.3 per cent, with passenger load factors dropping 0.3 points, to 69.6 per cent. The cargo load factor fell five points, to 58 per cent.

Other airlines in the region, such as Singapore Airlines, have recently posted declines in annual operating profits.

MAS has proposed a rights issue of 770m shares at M\$2.30 each, expected in October or November. Before yesterday's announcement, analysts were concerned that the issue could dilute earnings per share to levels which might deter some shareholders.

Mr Tajudin said the airline was looking for alliances but would be unlikely to allow foreigners to take equity stakes, because the 30 per cent limit on foreign shareholders in the company had been reached.

ASIA-PACIFIC NEWS DIGEST

Bandai appoints new president

Bandai, the Japanese toymaker, will appoint Mr Takashi Mogi as president to replace Mr Makoto Yamashina, who will step down to take responsibility for the collapse of a planned merger with Sega, the video and arcade games maker.

Mr Yamashina, the son of Bandai's founder, had come under pressure to resign after an employee revolt against the merger led to its cancellation. He had been the most ardent proponent of the deal, but could not convince Bandai employees of the benefits of being absorbed into Sega. He will become chairman but the board has yet to decide if he should represent the company.

The incoming president is currently head of Bandai Visual, a video software subsidiary.

Michio Nakamoto, Tokyo

Hitachi hit by chip price fall

The sharp fall in semiconductor memory prices put pressure on profits at Hitachi, one of Japan's large integrated electronics manufacturers, in spite of a rise in sales. Net sales rose 5 per cent to ¥8,523.1bn (\$73.8bn) as the group enjoyed firm demand for mainframe computers, a large power systems sale to a nuclear power plant in Japan, solid sales of CD-related products and a recovery at its home appliances division. However, the fall in memory chip prices hurt profits. Group pre-tax profits fell 24 per cent to ¥263.3bn, and net income fell 38 per cent to ¥88.3bn.

The home appliances division returned to profitability for the first time in six years, as Hitachi saw buoyant demand for its air conditioners and refrigerators ahead of the increase in Japan's consumption tax.

Hitachi forecast a rise in group sales this year to ¥9,620bn. Profits should improve to ¥310bn.

Michio Nakamoto

Sharp decline at SAIL

Profits at Steel Authority of India (SAIL) were more than halved last year as the country's largest producer of steel battled against sagging demand and price falls. Revenues fell 2.6 per cent to Rs147.4bn (\$4.1bn) and pre-tax profits slid 54 per cent to Rs6.02bn. The figures were in line with expectations.

Kunal Bose, Calcutta

Mitsubishi Motors slides 70%

Mitsubishi Motors suffered a fall in annual group profits in spite of record sales, as a poor performance in Japan and problems at its US arm depressed the group's overall performance. Sales rose 3.8 per cent to ¥3,872.1bn (\$31.8bn), but profits fell 70 per cent to ¥9.5bn. Net profits fell 9 per cent to ¥11.6bn.

In the domestic market, MMC suffered from a poor product mix which left sales 4 per cent down in value terms. Meanwhile, the weak yen helped export sales but the sales unit at its US operations ran up losses of \$780m. Mitsubishi made a capital injection into the US sales company. As a result, the company took an extraordinary loss of ¥43.2bn which depressed net profits.

Michio Nakamoto

Indian bank advances 20%

Corporation Bank, one of India's best managed banks, lifted net profits 19.5 per cent to Rs1.25bn (\$35m) last year, thanks to strict asset liability management, good treasury operation and cost-effective mobilisation of funds. The bank, which made a provision of Rs350m for non-performing assets, has a non-performing asset ratio of 3.63 per cent, one of the lowest in the industry. The average yield on loans was 15.3 per cent and on investments, 12.8 per cent. Earnings per share rose 63 per cent to Rs15.28. The bank plans to pay an annual dividend of Rs3 a share.

Kunal Bose

Acer plans \$102m GDR issue

The shareholders of Acer, the Taiwanese computer group, have approved the issue of \$102m of Global Depositary Receipts. Proceeds will be used as working capital and funds for expansion in overseas subsidiaries. Acer plans to expand its capacity for notebook personal computers in Mexico and the US, and for computer mainboards in Mexico.

AP-DJ, Taipei

THE JAPANESE WARRANT FUND

Société d'Investissement à Capital Fixe
(SICAF) (Incorporated in Luxembourg)
European Bank & Business Centre, 4, route de Trèves,
L-2633 Senningerberg, Grand Duchy of Luxembourg
R.C. Luxembourg B 31 629

Notice to Shareholders

At the Extraordinary General Meeting of Shareholders of The Japanese Warrant Fund (JWF) held on 18 April 1997 shareholders voted to place JWF in liquidation and to appoint as liquidator Fleming Fund Management (Luxembourg) S.A. represented by Mr A.H. Doggart. The liquidation of JWF's assets is now in process.

After consultation with a major shareholder of JWF, it has been decided to inform all JWF shareholders of proposals which shall enable them to maintain an exposure to the Japanese warrant market, should they so wish, by reinvestment of the cash proceeds of the liquidation of JWF.

A letter to shareholders setting out such proposals has been mailed to registered shareholders.

Holders of bearer shares who wish to receive this letter may contact Fleming Fund Management (Luxembourg) S.A., European Bank & Business Centre, 4, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, tel: (352) 3410 2086, fax: (352) 3410 2107.

A.H. Doggart
for Fleming Fund Management (Luxembourg) S.A.
Liquidator of The Japanese Warrant Fund

FLEMINGS

SCONTINVEST EQUITY FUND

Luxembourg Multiple Compartment Collective Investment Fund
Management Company, Scontinvest Equity Fund Management Company S.A.,
18, Boulevard Royal, L-2449 Luxembourg

INFORMATION TO THE UNITHOLDERS
AMENDMENT N°1 TO THE MANAGEMENT REGULATIONS
DATED DECEMBER 5, 1995

Article 5, "Subscription of Fund's Units", to be added:
"The Board of Directors of the Management Company is authorised to split up the units of each compartment".
Luxembourg, May 7, 1997

Management Company: Scontinvest Equity Fund Management Company S.A. The Depositary Bank: Scontinvest Equity Fund Management Company S.A.

SPLIT BY TEN OF THE UNITS OF THE COMPARTMENTS:
1) SCONTINVEST EQUITY FUND - NORTH-AMERICA EQUITY
2) SCONTINVEST EQUITY FUND - EUROVAL EUROPEAN EQUITY

On the 29th of May 1997, the Board of Directors of Scontinvest Equity Fund Management Company S.A., decided, in accordance with the article 5 of the management regulations, to split by ten the units of the compartments Scontinvest Equity Fund - North-America Equity and Scontinvest Equity Fund - "Euroval" European Equity. The purpose of this operation is to multiply by ten the number of units outstanding and divide by ten the net asset value per unit of these compartments.

Certificates of units are exchangeable from May 30, 1997 with Discount Bank S.A., 18 Boulevard Royal, L-2449 Luxembourg.
The split will be effective on the 30th of May 1997.

The Board of Directors

CITICORP

U.S.\$350,000,000
Subordinated Floating Rate Notes Due November 27, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5.7875% in respect of the Original Notes and 5.875% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date June 30, 1997 against Coupon No. 139 in respect of US\$10,000 nominal of the Notes will be US\$49.84 in respect of the Original Notes and US\$50.59 in respect of the Enhancement Notes.

U.S.\$500,000,000
Subordinated Floating Rate Notes Due October 25, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5.7875% and that the interest payable on the relevant Interest Payment Date June 30, 1997 against Coupon No. 140 in respect of US\$10,000 nominal of the Notes will be US\$49.84.

U.S.\$350,000,000
Subordinated Floating Rate Notes Due August 14, 2011
Notice is hereby given that the Rate of Interest has been fixed at 5.9375% and that the interest payable on the relevant Interest Payment Date August 29, 1997 against Coupon No. 44 in respect of US\$10,000 nominal of the Notes will be US\$150.09, and in respect of US\$250,000 nominal of the Notes will be US\$3,752.17.

U.S.\$500,000,000
Subordinated Floating Rate Notes Due May 29, 1998
Notice is hereby given that the Rate of Interest has been fixed at 5.9375% and that the interest payable on the relevant Interest Payment Date August 29, 1997 against Coupon No. 45 in respect of US\$10,000 nominal of the Notes will be US\$150.09, and in respect of US\$250,000 nominal of the Notes will be US\$3,752.17.

May 30, 1997
Citibank, N.A. Corporate Agency & Trust Agent Bank

CITIBANK

U.S. \$100,000,000
Robert Fleming Netherlands B.V.

Primary Capital Undated
Guaranteed Floating Rate Notes
guaranteed by
Robert Fleming Holdings Limited

Interest Rate	6.5% per annum
Interest Period	30th May 1997 28th November 1997
Interest Amount due	28th November 1997
per U.S. \$10,000 Note	U.S. \$ 328.61
per U.S. \$50,000 Note	U.S. \$1,643.05

Credit Suisse First Boston (Europe) Ltd.
Agent

U.S. \$100,000,000



Allied Irish Banks plc

Undated Floating Rate Notes
Subordinated as to payment of principal
and interest

Interest Rate	6.25% per annum
Interest Period	30th May 1997 28th November 1997
Interest Amount per	U.S. \$10,000 Note due
28th November 1997	U.S. \$315.97

Credit Suisse First Boston (Europe) Ltd.
Agent

U.S. \$125,000,000



BANK OF BOSTON CORPORATION

Floating Rate
Subordinated Notes Due 1998
Issued 26th August 1986

Interest Rate	5.8625% per annum
Interest Period	30th May 1997 29th August 1997
Interest Amount per	U.S. \$50,000 Note due
29th August 1997	U.S. \$740.95

Credit Suisse First Boston (Europe) Ltd.
Agent

U.S. \$250,000,000



BANK OF BOSTON CORPORATION

Subordinated
Floating Rate Notes Due 2001
Issued 10th February 1986

Interest Rate	5.9375% per annum
Interest Period	30th May 1997 29th August 1997
Interest Amount per	U.S. \$50,000 Note due
29th August 1997	U.S. \$750.43

Credit Suisse First Boston (Europe) Ltd.
Agent

Bae shuts down Jetstream production

By Bernard Gray
and James Buxton

British Aerospace is to write off about £250m (\$407.5m) and cease making Jetstream 41 regional turbo-prop aircraft at its factory in Prestwick, Ayrshire, with the loss of almost 400 jobs.

The move marks the end of the production of civil airliners in Scotland, and caps

years of losses in its regional aircraft business for Bae.

Bae said it would try to move other aircraft manufacturing work into Prestwick, and it is finalising plans to produce parts of its Nimrod maritime patrol aircraft at the Scottish site. Mr Donald Dewar, Scottish secretary, said he regretted Bae's decision. He would be working with the aircraft-

maker to do everything possible to ensure opportunities for investment and employment were created at Prestwick.

The blow is particularly serious for South Ayrshire, where Prestwick is located. Enterprise Ayrshire, the official development body, saw Bae's aerospace plant as the anchor for industrial development in South Ayrshire.

Closure of the line is likely to save Bae more than £30m a year, and will remove the worst-performing part of its civil aircraft business. Bae's production of wings for Airbus is profitable, and its regional jets business is breaking even.

The company has been warning for some time that the turbo-prop operation was under threat. Sir Richard

Evans, the chief executive, told employees recently that the company was losing £1m on every Jetstream 41 it made.

Problems with the regional aircraft business led Bae to the point of collapse in 1992, with £1bn written off to rationalise its jet business then, and £250m against turbo-prop operations in 1994. In addition to the latest

£250m write-off Bae will receive a tax credit of about £90m, taking its total value to £330m. Much of the write-off relates to an expected fall in the value of Bae's second-hand fleet of turbo-prop airliners, which it owns and leases to airlines, and guarantees it has given to existing operators of the aircraft. Bae shares rose 26p to £12.51.

Utilities show growth in profit and pay-outs

Leyla Boulton looks at Utd Utilities, South West Water and Mid Kent

United Utilities, the water, electricity, and gas group, yesterday reported a 14 per cent rise in pre-tax profit before exceptional items to £44m (\$72.7m) and an 11 per cent "real" increase in the dividend to 87.2p.

Mr Brian Staples, chief executive, said he hoped the results for the year to March 31 would demonstrate to financial markets that the company had delivered the dividend increases and cost savings it had promised to achieve.

He said the returns achieved on Norweb, the regional electricity company, were "superb" and the company was on track to achieving cumulative savings of close to £500m by 2000.

United also announced a £83m provision for a related contract in Bangkok, Thailand. But Mr Staples said the deal was an anomaly because it involved construction, a non-core area.

South West Water reported a 22 per cent increase in pre-tax profits to £133.6m and a 20 per cent dividend rise to 36.7p for the year to March.

Profits were boosted by a £19.2m gain from the disposal of peripheral activities and a 69 per cent increase in profits of its three non-regulated businesses to £8.6m.

Mr Ken Hill, finance director, said the company had



Ken Harvey, chairman of South West Water

spent £8m on bankers' and lawyers' fees to defend itself from competing bids by Severn Trent and Wessex Water.

Mid Kent Holdings, the water company which survived an attempted joint takeover by France's Générale des Eaux and Saur, reported a 12 per cent increase in full-year pre-tax profits to £13.8m.

Profits before exceptional items - including £2.4m spent defending itself against the takeover attempt - rose 22 per cent to £15.4m in the year to March 31.

Partly to console shareholders for the Monopolies

and Mergers Commission decision in January to block the bid, the company increased its dividend 25 per cent to 30p via an 18p final. Earnings per share edged ahead to 59.5p (58.7p).

The company also announced plans to seek permission to buy back 10 per cent of its shares as part of a possible move to maximise shareholder value.

Mid Kent is negotiating to sell some of its extra water to neighbouring water companies Folkestone and Dover and South East, whose French parents engineered the takeover attempt.

ScotAm policyholders in line for £1,400 bonus

By George Graham,
Banking Correspondent

Scottish Amicable policyholders should receive bonuses averaging £1,400 (\$2,282) a head in October if they approve Prudential Assurance's £1.6bn bid for the mutual life assurance group at a special annual meeting on June 27.

In a circular published yesterday Scottish Amicable spelt out the details of the Prudential bid, which includes a £600m cash payment and £470m of special bonuses to be added to poli-

cies straight away.

In addition, policyholders will get extra bonuses estimated at £530m when their policies mature. The takeover will go ahead if 75 per cent of votes cast at the special meeting are in favour.

Tillinghast-Towers Perrin, the actuaries, and SBC Warburg, Scottish Amicable's banking advisers, said Prudential's bid was very close in value to those submitted by Abbey National, the UK financial services group, and by Australian Mutual Provident, the Australian insurer.

However, Prudential offered more cash to policyholders and paid more of the bonuses up front.

Abbey offered £425m in cash and AMP £504m. But Mr Peter Birch, Abbey's chief executive, said he was glad his company had not won the bidding battle, adding that acquisition prices for UK financial service companies were reaching excessive levels.

"If you look and compare, you will see that the Prudential offer for Scottish Amicable was considerably higher than we were prepared to pay," he said.

Some 350,000 of the company's customers and 7,000 independent financial advisers will also be given details of one of the biggest shake-ups at M&G since it was founded in 1931.

It follows yesterday's release of disappointing results for the six months to March 31. Pre-tax profits were up 6 per cent at £33.2m (\$54.1m) - marginally below analysts' expectations.

M&G kept the interim dividend static at 16p, although analysts said that the company had indicated that the full-year pay-out would increase. During the six

LEX COMMENT

M&G

There is a delicious irony in the market's punishment of M&G, traditional arch-advocate of higher dividends, for holding its payout flat. But if there is symbolism in such a departure from one of the group's rigid traditional investment mantras, investors should be pleased. With luck it is further evidence that the new management team is shaking the business up. Yesterday's results showed how urgently change is needed. To be fair, all is not black. In institutional fund management, M&G has sparkled. But this merely makes the retail business's lousy performance all the more remarkable. The signs that independent financial advisers are losing confidence in M&G's formidable brand are unmistakable: sales of unit trusts and personal equity plans have collapsed by 45 per cent since the same period last year, despite a heroic 34 per cent rise in marketing and commission costs.

Bad investment performance is not irreparable, and the management is plainly not asleep. But restoring M&G's retail reputation is bound to take time. Meanwhile, there remains an awkward question: how can a fund management group lifting earnings by just 6 per cent in booming markets plausibly be valued on a prospective multiple of 20? The thought will not deter speculators praying for a bid. But others face a contradiction: to buy M&G shares presumably requires faith in its "value investment" philosophy. And yet the group's own share price defies it.



M&G plans to sharpen edge as rise disappoints

By William Lewis,
Investment Correspondent

The new management team at M&G, the fund management group, is to launch an unprecedented mailshot in an attempt to overcome the effects of recent poor investment performance.

Some 350,000 of the company's customers and 7,000 independent financial advisers will also be given details of one of the biggest shake-ups at M&G since it was founded in 1931.

It follows yesterday's release of disappointing results for the six months to

March 31. Pre-tax profits were up 6 per cent at £33.2m (\$54.1m) - marginally below analysts' expectations.

M&G kept the interim dividend static at 16p, although analysts said that the company had indicated that the full-year pay-out would increase. During the six

month period the group experienced a net outflow of retail funds under management of £137m.

M&G's shares closed down 60p at £12.82½p.

Analysts downgraded full-year forecasts, with Mr Martin Cross of UBS predicting £68m instead of £76m.

Several of the group's UK equity unit trusts have returned poor performances in recent years and Mr Michael McIntock, managing director, said the group was drawing up plans to "clarify and update the identities and investment policies of some of these funds".

Notice of early redemption

To the holders of CARIPLO - Cassa di Risparmio delle Province Lombarde S.p.A. (acting through its London Branch) Continuously Offered Euro Depositary Receipt Programme. (The "Issuer").

CARIPLO

ITL 150,000,000,000

9.875% Depositary Receipts due 30 June 2004

ISIN XS0051019486

Notice is hereby given that pursuant to Condition 6 (d) of the Depositary Agreement and Trust Deed and as specified in the applicable Pricing Supplement, all of the outstanding Receipts will be redeemed by the Issuer on 30 June, 1997 (the "Redemption Date"). The Receipts will be redeemed at their Principal Amount together with the accrued interest to the Redemption Date. Payment of principal and interest will be made against presentation and surrender of the Receipts with all unmailed Coupons appertaining thereto at the specified office of the Paying Agent listed below. Payments will be made by an ITL cheque drawn on or by transfer to an ITL account maintained by the payee with a bank in Italy.

Paying Agent
Kreditbank S.A. Luxembourg
43 Boulevard Royal
L-2955 Luxembourg

The First National Bank of Chicago

GUANGDONG DEVELOPMENT FUND LIMITED

Further to the preliminary annual results announcement issued on 6 May, 1997 and notification of record day on 6 June, 1997, notice is hereby given that the Registers of Members and Warrant-holders of Guangdong Development Fund Limited will be closed from 2 June, 1997 to 6 June, 1997, both days inclusive, during which period no transfer of shares or warrants will be effected.

GUANGDONG DEVELOPMENT FUND LIMITED
(a company incorporated with limited liability in the Bailiwick of Jersey)

26 May, 1997

BTM (Curaçao) Holdings N.V.
(formerly Bank of Tokyo (Curaçao) Holding N.V.)
U.S. \$100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997

The Bank of Tokyo-Mitsubishi, Ltd.

Payment of the principal of, and interest on, the Notes is unconditionally guaranteed by

The Bank of Tokyo-Mitsubishi, Ltd.
(formerly The Bank of Tokyo, Ltd.)
(formerly The Bank of Tokyo-Mitsubishi Bank Agreement between Bank of Tokyo (Curaçao) Holding N.V., The Bank of Tokyo, Ltd., and Citibank, N.A., dated November 27, 1985, notice is hereby given that the Rate of Interest has been fixed at 6.0125% p.a. and that the interest payable on the relevant Interest Payment Date, August 29, 1997, against Coupon No. 47 will be US\$151.98.

May 30 1997, London
By Citibank, N.A. (Corporate Agency and Trust), Agent Bank. **CITIBANK**

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Floating rate notes 1997

Notice is hereby given that the notes will bear interest at 5.8125% per annum from 30 May 1997 to 29 August 1997. Interest payable on 29 August 1997 will amount to US\$14.69 per US\$1,000 note. US\$146.93 per US\$10,000 note and US\$1,469.27 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Notice of Early Redemption
BANQUE INDOSUEZ
U.S. \$5,000,000

Euro Medium Term Notes
Series 11 Tranche B due 3 June 2004

Notice is hereby given pursuant to Clause 8(b) of the Terms and Conditions that the Issuer, Banque Indosuez, will exercise the call option and redeem all of the outstanding Notes at par together with interest due on 3 June 1997.

Banque Indosuez Luxembourg S.A.
Fiscal and Paying Agent



Gloves are just a part of this successful operation

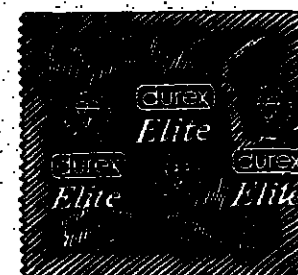
FINANCIAL HIGHLIGHTS		
	1996/1997 £m	1995/1996 £m
Sales	339.2	309.6
Operating profit	41.6*	31.3
Pre-tax profit	35.6*	26.2
Earnings per share	7.28p*	5.76p
Dividend per share	2.80p	2.00p
*Pre-exceptional items		

London International Group plc is in a strong position as it moves out of recovery, with encouraging sales growth in its core businesses, positive cash flow and a 26.4% increase in pre-exceptional earnings per share.

As the Group enters a new phase of development, significant opportunities have been identified in each core business area which

will ensure that the Group is capable of achieving double-digit earnings growth for the next few years.

Profit growth was strong on the back of good sales performances from the Group's three core businesses of Durex condoms, Regent medical gloves and Marigold specialist industrial gloves.



Core business sales grew to £241.0 million from £192.1 million and operating margin rose from 10.1% to 12.3%.

The Group will continue to invest organically in its core businesses and to make further core business acquisitions with the twin objectives of enabling double-digit earnings growth over the next few years and of increasing returns to shareholders.

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COMPANIES AND FINANCE: UK

Weak continental markets hold back industrial equipment side

Siebe jumps to £424m

By Chris Gressor

Siebe, the engineering company, dismissed talk of a slowdown in its main businesses yesterday as it delivered a 28 per cent jump in annual pre-tax profits to £424.1m (£691.3m) on turnover up from £2.59bn to £3bn.

Mr Allen Yurko, chief executive said: "You're not going to get any downbeat messages from us today. It's full speed ahead. Our markets are strong, we're strong and doing just fine."

Some analysts had begun to question Siebe's ability to continue to grow so rapidly. The group's shares, which have slipped back from a high of £10.82p in January, rose 13p yesterday to 96½p.

Underlying pre-tax profit jumped 22.3 per cent, and acquisitions also performed strongly, the company said, with Unitech, acquired for £500m last year, enhancing earnings by 0.6p per share. Sales, profits and operating margins were up in all three of the company's businesses on a like-for-like basis.

In control systems, profits

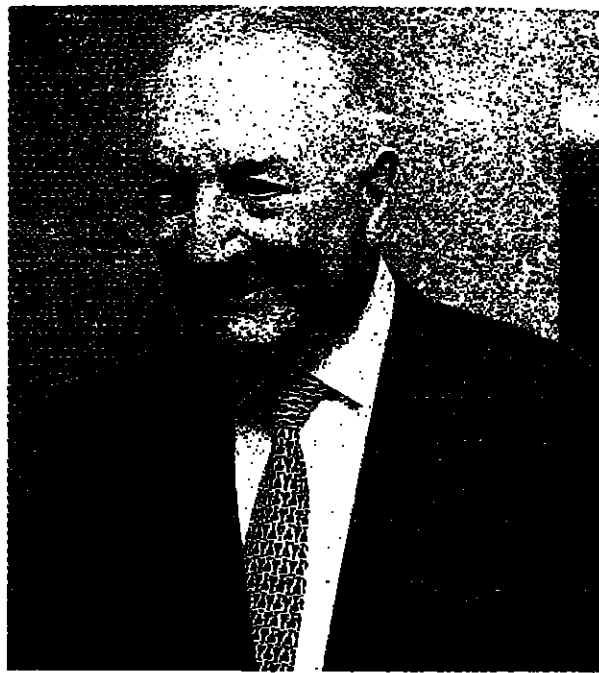
before tax and interest charges grew 19.4 per cent and margins were 17 per cent (15.8 per cent). Mr Yurko highlighted the strong performance in temperature controls where profits grew 23.3 per cent and margins jumped nearly 2 percentage points to 16.3 per cent.

But there was disappointment at the performance of the company's industrial equipment division, where organic sales managed a modest rise of only 2.2 per cent. The division's profits growth also lagged the rest of the group at 3.8 per cent.

The company blamed restructuring and weak continental European markets for the performance. "It was a credible year, but we're not overly pleased with the result," said Mr Yurko.

Group organic sales grew 8.8 per cent, compared with the company's self-imposed target of 10 per cent.

"You set tough targets and sometimes you miss them," said Mr Yurko. Analysts were unconcerned. "They're reassured people that organic growth accelerated



Barrie Stephens, chairman: upbeat results statement

In the second half and in particular in their two core businesses," said one.

Concerning Siebe's £327.4m offer for process equipment maker APV, Mr Yurko said: "We are absolutely confident we can turn APV round. They've been undercapitalised, and we reckon we will see an improvement within the next six to nine months."

Siebe's offer values each APV share at 106p. They closed up ½p yesterday at 106p.

RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year			
A de Grady	Yr to Jun 31	48.9	(47.3)	3.31	(2.17)	17.8	(11.9)	5	July 30	4.28	7	6
Barratford	6 mths to Mar 29	261	(242.6)	38.9	(11.94)	24.1	(6.6)	2	July 1	1.5	-	4.5
BTG	Yr to Mar 31	22.5	(20.8)	2.73	(2.74)	3.31	(4.38)	0.88	Aug 8	0.88	0.88	0.88
Chlor Blowers	6 mths to Feb 28	28.6	(21.5)	0.0894	(0.531)	0.54	(6.99)	2.67	July 25	2.67	-	8
Crabtree	6 mths to Mar 31	22.9	(19.9)	0.445	(0.399)	1.91	(3.8)	1	Aug 8	3.75	-	9
Dart	Yr to Mar 31	72.1	(69)	4.54	(5.84)	18.3	(14.6)	4.4	August 28	4	6.5	5.9
Emerson	9 mths to Dec 31	4.13	(7.99)	10.44	(0.478)	37.7	(3.3)	-	-	-	-	-
Hardy Wearing	Yr to Jan 31	5.07	(5.07)	0.293	(0.121)	6.11	(6.45)	2	July 15	-	-	2
Harwell Walling	Yr to Dec 31	74.8	(77.8)	1.87	(1.24)	2.5	(nill)	0.1	Aug 13	2.5	0.1	2.5
London Ltd	Yr to Mar 31	339.2	(308.6)	29.54	(26.2)	5.5	(6.78)	2.1	Aug 22	1.5	2.8	2
M&S	6 mths to Mar 31	74.5	(70.4)	33.2	(31.24)	30.4	(23.8)	18	July 17	16	-	36
Mid Kent Holdings	Yr to Mar 31	41	(41.4)	13.84	(12.34)	59.6	(58.7)	18	July 29	17.75	30	30
Plasman	Yr to Mar 31	33.4	(26.1)	1.86	(1.01)	10.25	(6.46)	1	July 21	1.5	-	1.1
Regent Properties	Yr to Mar 31	34.6	(28)	2.1	(2.374)	1.4	(1.22)	1.1	Aug 22	1.1	-	1.1
Richards	6 mths to Mar 31	32.4	(32.9)	0.007	(0.511)	0.24	(2.48)	1.07	July 1	1.07	-	2
Rolls & Nolan	Yr to Feb 28	20.2	(17.1)	2.76	(2.32)	14.5	(12.33)	3.8	July 22	3.2	6.5	4.8
Siebe	Yr to Apr 5	3,005	(2,998)	424.19	(331.19)	54.11	(45)	9.8	Oct 9	8.97	14.7	14.7
South West Water	Yr to Mar 31	343.6	(314.4)	132.69	(109.1)	92.1	(77.7)	24.9	Oct 1	20.7	36.7	30
Stables	6 mths to Mar 30	141.1	(65.8)	22.24	(12)	2.84	(2.23)	1.05	Sept 4	0.95	-	2.15
Then Fennell	Yr to Mar 31	10.8	(8.1)	0.5174	(0.496)	2.14	(2.78)	2.9	Aug 12	2.8	-	4.3
TLS	Yr to Mar 31	353.9	(350.4)	6.54	(6.5)	0.6	(10.2)	0.5	Aug 12	0.5	-	1.22
Tring Ltd	Yr to Mar 31	18.9	(26.6)	2.084	(2.02)	3.68	(4.82)	nill	-	-	-	-
United Drug	6 mths to Mar 31	143.3	(118.8)	3.26	(2.72)	10.57	(10.03)	3	Oct 1	2.8	-	8.86
United Utilities	Yr to Mar 31	2,377	(1,839)	283.94	(272.64)	44.91	(51.7)	25.2	Oct 1	19.50	37.2	28.865

Investment Trusts

	NAV	Dividends (£m)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year			
Investec Korea	Yr to Mar 31	82.9	(141.5)	0.085	(0.024)	0.26	(0.07)	1	-	-	nill

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. £m stock. After exceptional charge. After exceptional credit. Net rental income. 10m increased capital. After share split. Comparatives for 12 months to March 31 1996. Comparatives for 15 months. Comparatives restated. Comparatives for 14 months. Irish currency. Stables 3.5p special.

THE PROPERTY MARKET

Wishlist for investors

International rules need reform, says Mark Suzman

Defining a property transaction is always tricky business - never more so than when it involves an international investment.

For multinational companies, inward investment into offices or factories is rarely seen as a property deal. The main priority is normally acquiring the company that holds such assets.

Add to that the problem that countries have widely different ways of valuing such activities, and calculating the importance of property to global foreign direct investment (FDI) flows is extremely difficult.

The most recent attempt to do so - a report published this month by the Economist Intelligence Unit on behalf of the Royal Institution of Chartered Surveyors - came up with a guess that it represents between 5 per cent and 20 per cent of the \$350bn in annual FDI flows.

But as Andrew Apostolou, the report's author, admits, the real number could be higher. "The lack of data means that it's impossible to measure property," he says.

Whatever the actual figure, it is undoubtedly very big: even at the low end of the estimate - some \$17.5bn - it represents more FDI than the whole of eastern Europe attracts every year. At the high end, it represents double that of China.

That makes it strange that property plays such a small role in international trade agreements. As the report

points out, even in highly integrated economies such as the European Union there are vast differences in property markets and regulations.

"The real estate sector is governed by very complex, state-specific rules and regulations that can easily distort or deter investment flows. But to date little attention has been paid to the confusion and problems that the mosaic of different regulations can cause to investors," it argues.

For example, in getting planning approval in the UK, the process is based on the merits of each application, while in Germany it is much less flexible: provided key criteria are met, the project will get approval.

Similarly, during the planning process, the UK gives direct feedback to the potential investor, while Germany does not. Differences are further aggravated by widely divergent health, safety and environmental regulations.

The situation is more complicated in developing countries, many of which have direct restrictions on foreign

ownership of property. Brazil, for example, prohibits foreign ownership of land within 150km of international borders.

In India, property investments are restricted to companies that are at least 60 per cent owned by non-resident Indians or foreigners of Indian descent. No rental income or proceeds from a property sale can be remitted outside the country.

On top of that, valuation techniques and the role of real estate professionals differ widely round the world - in some countries they can act as both agent and valuer, in others that is forbidden because of perceived conflicts of interest.

All that makes property regulation ripe for investigation by the World Trade Organisation and other international trade bodies.

As Jeremy Bayliss, chief executive of the Royal Institution of Chartered Surveyors, points out, co-ordinating international property rules would provide big benefits for the industry. "Those developing multi-

lateral agreements on investment need to take account of the property sector so that investors, particularly foreign direct investors, have a more stable and transparent regime in which to operate," he says.

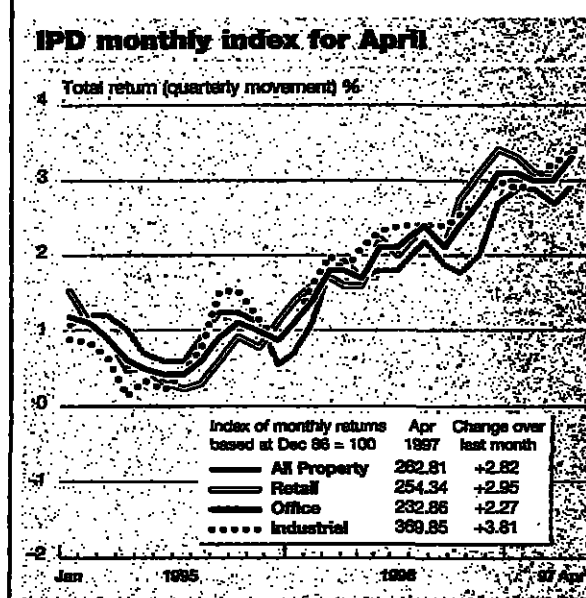
Specifically, the report argues there is a desperate need for an international system that provides guarantees of property rights, with full investor protection, including guaranteed compensation for confiscations.

That in turn requires transparency in international standards to allow accurate measurement and harmonisation of property market services. Finally - but most difficult to achieve in practice - it needs greater harmonisation of planning and development practices, including environmental and health standards.

Taken together, those recommendations represent more of a wishlist than an agenda for action. But the report does demonstrate the need to treat property as a critical component of FDI flows round the world.

For whatever the true figure of FDI flows into the sector, it will become much larger if reforms are carried out. "Ridding the world trading investment system of these barriers is a win-win scenario for all sides," the study concludes.

Global Direct Investment and the Importance of Real Estate, Economist Intelligence Unit, 15 Regent Street, London SW1 4LR, UK.



Decline in month

The Investment Property Databank's All Property Total Return Index for the UK stood at 252.81 at the end of April. This reflected a monthly return of 1.1 per cent against 1.2 per cent last month.

The drop was due to a 0.1 percentage point fall in the rate of capital growth, to 0.4 per cent, which in turn reflected the reduced pace of rental value growth seen during April.

While offices were able to sustain March's ERV growth through to April, neither retail nor industrial could match last month's rate of growth.

Capital growth was protected to some extent as valuation yields, on average, shortened during April recording an associated yield shift of -0.02 percentage points.

Over the longer term all the main performance measures have improved, with capital growth and total return measuring 2.5 per cent and 11.3 per cent respectively for the year to April.

Twelve-monthly capital growth rates have increased in all three sectors, now measuring between 0.6 per cent (offices) and 4.2 per cent (retailing).

Excellent first quarter for Fortis
Significant contribution from MeesPierson

Key figures Fortis AG and Fortis AMEV first quarter

	Fortis AG (in BEF)	Fortis AMEV (in NUF)	Fortis AG (in BEF)	Fortis AMEV (in NUF)	Fortis AG (in BEF)	Fortis AMEV (in NUF)
	1997	1996	in %	1997	1996	in %
Earnings per share	95	73	30	1.23	0.94	31
Equity per share	3,200	2,653	21	41.27	36.69	12

1) 1996 adjusted to reflect changes in capital.
2) Capital increases included in their ordinary year and 1996.

Fortis is an international financial group. It is active in the field of insurance, banking and investment in Europe, the United States, Australia, Asia and the Caribbean through more than 100 Fortis companies. Fortis has more than 34,000 employees.

It is possible to invest in Fortis through the shares and depositary receipts for shares in its two parent companies, Fortis AMEV and Fortis AG, each of which owns 50% of Fortis.

Fortis AMEV is listed on the exchanges of Amsterdam, London and Luxembourg and has a sponsored ADR program in the United States. Fortis AG is listed on the exchanges of Brussels, Antwerp, Stockholm and Luxembourg.

Fortis' results in the first quarter of 1997 rose very strongly compared with the first quarter of 1996.

Net profit rose by 30%, while the operating result increased by 32%. This growth is mainly the result of profit recovery in the United States and banking activities. As anticipated, MeesPierson made an immediate positive contribution to the results. Total income increased by 9% to ECU 5.3 billion and net equity rose with ECU 631 million to ECU 6,548 million. On balance, Fortis results were negatively affected by currency developments.

The earnings per share of Fortis AG and Fortis AMEV rose by 30% and 31% respectively.

Key figures Fortis first quarter

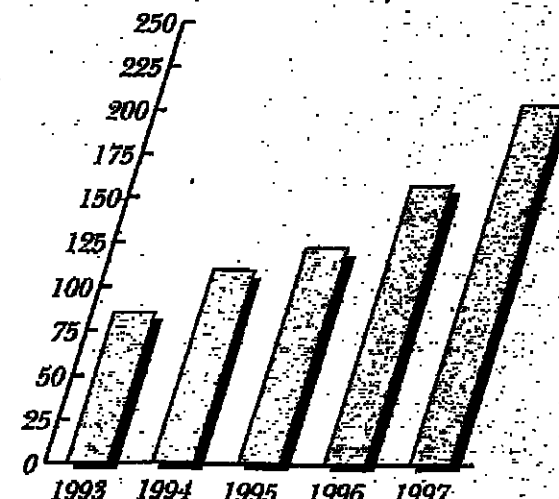
(in ECU million)	1997	1996	Increase in %
Total income	5,254	4,842	9
Operating result	321	243	32
Net profit	204	157	30
Net equity	6,548	5,917	11
Total assets	148,659	141,419	5

1) Truncated 1996.

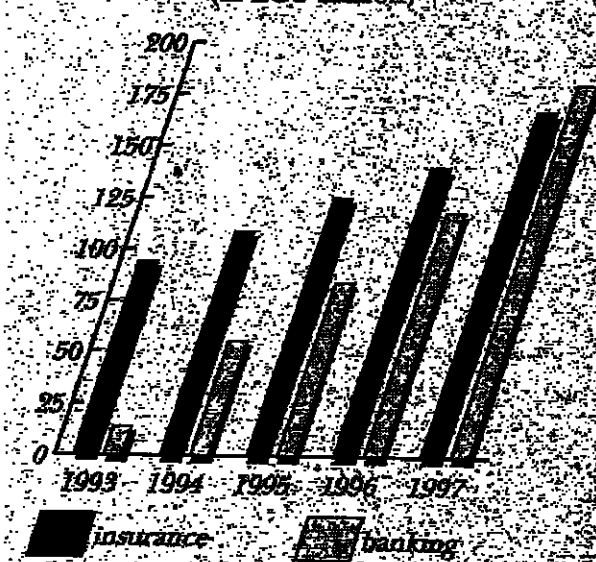
Prospects

On the basis of the results for the first quarter, Fortis is filling out its previous forecast, although it does not expect the high percentage increases in the first quarter of 1997 to be achieved for the year as a whole. Barring unforeseen circumstances, Fortis and its two parent companies, Fortis AG and Fortis AMEV, expect net profit and earnings per share to increase by between 10% and 15% for 1997 as a whole.

Net profit Fortis first quarter 1993 - 1997 (in ECU million)



Operating result Fortis first quarter 1993 - 1997 (in ECU million)



Information

If you wish to receive a copy of the report on the first quarter of 1997 of Fortis and its parent companies, please contact Group Communication at:

Fortis
Boulevard Emile Jacqmain 53
1000 Brussels
Belgium
Tel.: 32 (0)2 220 93 49
Fax: 32 (0)2 220 80 92

Fortis
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DOUBLE PACK A1 395.92 ha

Location Stendal

Historic district town in the Altmark. Former WGF barracks "Puschkin Park", 90.64 ha, partly built-up, use undecided. Near B 188 and B 189. Northern Sachsen-Anhalt.

Location Gardelegen

Picturesque township in the Altmark. Former airfield, 305.28 ha, 8 buildings, housing construction planned on approx. 10 ha. Directly on B 188. Northern Sachsen-Anhalt.

DOUBLE PACK A2 692.25 ha

Location Halberstadt

Old cathedral town (district town) near Harz Mountains. Former WGF barracks Friedrich-Liebig-Str. 435.52 ha, partly built-up, use can be agreed. Convenient traffic links.

Location Lissa

Municipality in spa and health resort region. Former WGF garrison, 256.73 ha, partly built-up, no general development plans. Near B 176. Southern Sachsen-Anhalt.

TRIPLE PACK A3 276.89 ha

Location Wittenberg

Luther town and historic district town. Former ARADO barracks, 12.59 ha, partly built-up, housing construction planned. Directly on B 187. Eastern Sachsen-Anhalt.

Location Kapen

Between Oranienbaum and Dessau, the Bauhaus town. Former WGF barracks, 170.83 ha, partly built-up, own rail siding, use undecided. Directly on B 185. Eastern Sachsen-Anhalt.

Location Kieken

Near Roskau in district of Anhalt-Zerbst. Former WGF garrison, 93.47 ha, partly built-up, use undecided, own access to B 187. Eastern Sachsen-Anhalt.

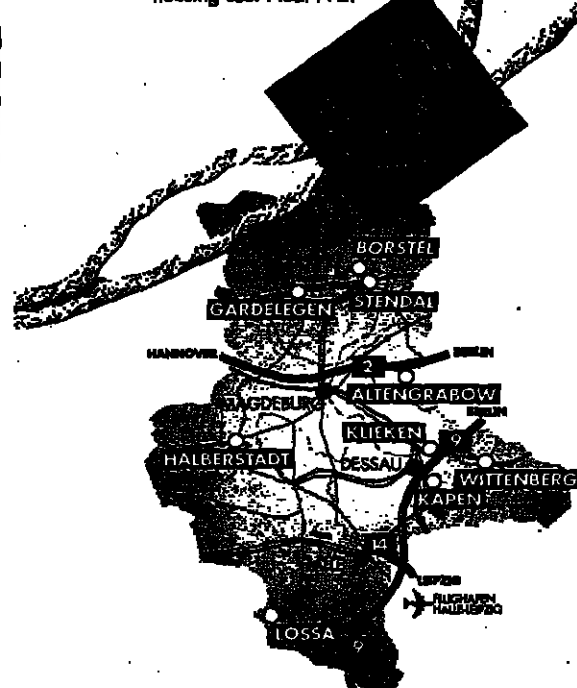
DOUBLE PACK A4 321.40 ha

Location Borstel

Near Stendal in the Altmark. Former WGF airfield, 312.00 ha, partly built-up, plans for commercial air use, otherwise undecided. On B 188/189. Northern Sachsen-Anhalt.

Location Altengrabow

In the Jerichower Land district in eastern Sachsen-Anhalt. Former WGF property "Rotes und gelbes Stöckchen", 9.40 ha, mostly built-up, use undecided, free for housing use. Near A 2.

FEDERAL REPUBLIC OF GERMANY
REVENUE ADMINISTRATION
AS VENDOR
OF THE FOLLOWING PROPERTIES:AS A SINGLE
BIG PACK OR
IN ATTRACTIVE
COMBINED
PACKAGESMECKLENBURG-
VORPOMMERN

OPEN ON ALL SIDES

Unimpeded vistas, wide horizons - such is the image of this region. Gateway to the Baltic, with miles of magnificent beaches. This was the home of Heinrich Schliemann, the discoverer of Troy. This was where the great sculptor, Ernst Barlach, lived and worked. Right here, on Germany's north-south axis, is where you can find excellent investment prospects. Five properties are for sale in attractive locations with optimum links to west-east trade routes. Here too we have put together suitable targets for investment. With scope for innovative ideas, and double and triple prospects of success.

TRIPLE PACK B1 503.20 ha

Location Ludwigslust

Baroque district town in the south-east of the Land. Former WGF garrison "Tschentel", 70.12 ha, partly built-up, planning includes commercial and industrial use. Near A 24.

Location Schwerin

Historic Land capital and lake town. Former WGF garrison "Schwerin-Görries", 64.48 ha, partly built-up, use undecided. On A 24/241. Western Mecklenburg-Vorpommern.

Location Pütnitz

Municipality in the Baltic sea resort region. Former airfield, 368.60 ha, partly built-up, use undecided. On B 105.

DOUBLE PACK B2 595.10 ha

Location Neustrelitz

At the heart of the Mecklenburg Lakeland. Former WGF fuel depot "Fürstensee", 60.50 ha, partly built-up, general development plan in hand. On B 96/198.

Location Tutow

Near the historic district town of Demmin. Former WGF airfield, 534.60 ha, partly built-up, use undecided. On B 110. At the centre of the Land.



BIG PACK totalling 2,784.76 ha

The properties in question are WGF properties used by (former Soviet) West Group Forces.

This advertisement is an invitation to submit tenders, preferably for the "Big Pack", alternatively for one or more of the other "Packs". The currently valid tendering conditions are to be found in the property descriptions which can be obtained in German and English from

OBERFINANZDIREKTION MAGDEBURG

Bundesvermögensabteilung
Otto-v. Guericke-Strasse 4
D-39104 Magdeburg
For information please contact Mr Buhr -
Tel. 0391/545-2711
Fax 0391/545-1500

Closing date for the submission of tenders is 31. Aug. 1997.

No liability whatsoever is accepted for the content and accuracy of the particulars given here.

<http://www.sachsen-anhalt.de>

This is the INTERNET address of the Economics Ministry and the Economic Promotion Agency of the Land of Sachsen-Anhalt, where you can access further information in various languages on Sachsen-Anhalt as a target for industrial investment.

... for large-scale investors · industry and commerce · trade · sports and leisure projects · housing construction

FOR SALE
BUSINESS
PREMISES
in MALAGA

- ☐ Totally equipped
 - ☐ Area 3,138 m², constructed area 2,181 m²
 - ☐ 3 refrigeration rooms 2,265 m²
 - ☐ 2 freezer rooms with 1,510 m²
 - ☐ Offices. Computer equipment.
- Tel. Contact: 34 5 2460000

SAVILLS

HALL FARM, DARSHAM, SAXMUNDHAM, SUFFOLK

NORTH EAST SUFFOLK
82 HA (202 ACS) PRODUCTIVE ARABLE LAND with long term development potential. Sale with vacant possession, but management co in situ for share farming agreement. Minimum return 4%.

In Excess £650,000
SAVILLS OFFICE: IPSWICH
Telephone: 01473 226191 Contact: GI Chown

FT MANAGED FUNDS SERVICE

هكذا من الأشمل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

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INVESTMENT TRUSTS - Cont.

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B
Maurice Smith M.

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and Pilsener Beer Co. _____ 7.

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IN TRUSTS SPLIT CAPITAL - Cont.

Trust Name	Share Price
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OTHER INVESTMENT TRUSTS

Trust Name	Share Price
...	...

INVESTMENT COMPANIES

Company Name	Share Price
...	...

LEISURE & HOTELS

Company Name	Share Price
...	...

LIFE ASSURANCE

Company Name	Share Price
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MEDIA

Company Name	Share Price
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MEDIA - Cont.

Company Name	Share Price
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OIL EXPLORATION & PRODUCTION

Company Name	Share Price
...	...

OIL, INTEGRATED

Company Name	Share Price
...	...

OTHER FINANCIAL

Company Name	Share Price
...	...

PAPER, PACKAGING & PRINTING

Company Name	Share Price
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PHARMACEUTICALS

Company Name	Share Price
...	...

PHARMACEUTICALS - Cont.

Company Name	Share Price
...	...

PROPERTY

Company Name	Share Price
...	...

RETAILERS, GENERAL - Cont.

Company Name	Share Price
...	...

SUPPORT SERVICES

Company Name	Share Price
...	...

TEXTILES & APPAREL - Cont.

Company Name	Share Price
...	...

TOBACCO

Company Name	Share Price
...	...

TRANSPORT

Company Name	Share Price
...	...

WATER

Company Name	Share Price
...	...

AMERICANS - Cont.

Company Name	Share Price
...	...

AMERICANS

Company Name	Share Price
...	...

CANADIANS

Company Name	Share Price
...	...

SOUTH AFRICANS

Company Name	Share Price
...	...

Are you IN?

PROPERTY - Cont.

Company Name	Share Price
...	...

RETAILERS, FOOD

Company Name	Share Price
...	...

RETAILERS, GENERAL

Company Name	Share Price
...	...

SUPPORT SERVICES - Cont.

Company Name	Share Price
...	...

TELECOMMUNICATIONS

Company Name	Share Price
...	...

TEXTILES & APPAREL

Company Name	Share Price
...	...

GUIDE TO LONDON SHARE SERVICE

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Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. ...

WORLD STOCK MARKETS

4/74					4/75					4/76				
High	Low	Yld	P/L		High	Low	Yld	P/L		High	Low	Yld	P/L	
88.90	-1.20	88.40	45.20	2.3 18.1	SWEDEN (July 29 / Kroner)					Debit/Ft	887ml	+1 1.220	7.4	
88.85	23	23												

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US INDICES

[illegible]

FINANCIAL TIMES FRIDAY MAY 30 1997

Wa
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we information
Financial Times, World Bank

[illegible]

US Bus	270822	87.3	82.5	-5%
US Savs	480	2.4%	2	-
US Savs	480	2.4%	2	-
USF Corp	10 47 1502	25.5	25.5	-
Unit Mkt	0.02 12	10 11%	11%	-
Unit Twp	0.50 19	40	88	88
Unit	10 208	43	43	-

- V -				
Vanguard	0 45 25	321	40.4	41%
Vanguard	118 255	1352	121	-
Venue	1.58	9 325	25	25%
Ventures	-	17%	17%	-
Vicer	34	392	214	19%
Vigor	57	25	124	17%
Vigorous	21 218	24	24	-
VLS Tech	470032	25	24	-1%
Veto B	0.48	728	24%	27%

- W -				
Wang Lin	34 595	25%	25%	-
Warrick	34 595	15%	15%	-
Warrick	1 03 1476	55	53%	53%
Washington	1 30 1375	25	24%	24%
Wassner PM	0.025 14	31 15%	15	-1%
W&O	2.48 20	55	55	58
Werner B	1 10 505	25	25%	29
Werner Inc	1.04 16	259	65%	65%
Wheat	19 4037	37%	35%	37

Cash	6.02	24	1951	26%	27%	+/-
Africa	27	8253	193	27%	19%	-1
Europe	22	6%	6%	6%	6%	-1
Asia	35	170	195	19%	19%	-1
Latin Am.		191	9%	9%	9%	-1
Bonds	20	2040	243	22%	22%	-1
Commodities	1794	5%	5%	5%	5%	-1

- K -

Kismet Co	0.08334	50	13%	13%	13%	+1
Kramer Co	0.44	34	1234	13%	12%	+1
Kay Jr & Co	0.44	14	272	27%	24%	+1
Kellogg	1.14	14	486	39%	39%	+1
KLA-Inc	23.0327	50	4%	4%	4%	-1
Koll A	650	14	6%	6%	6%	-1
Kongsgj	18.1925	13	29%	29%	29%	-1
Kushida S	48.84	35%	35%	34%	34%	-1

- R -

Raidco Inc	12.2540	19%	19%	19%	19%	-1
Rafco	37	25	24	24	24	-1
Ramsey	0.35	16	19%	19%	19%	-1
RCSB Inc	14.0	29.12	41	40%	40%	-1
Road-Hill	34829	24	21%	21%	21%	-1

- X - Y - Z -

Xerox	307.6899	67%	64%	65%	64%	-1
Yale	23.6362	19%	14%	14%	14%	-1
Zachry Corp	1471	6%	6%	6%	6%	-1
Zellerbach	14.44	19%	19%	19%	19%	-1
Zenith	1.86	75%	75%	75%	75%	-1
Zimblatt	147.39882	51%	30%	30%	30%	-1

- D -

Dan	14.588	26%	25%	26%	26%	-1
Danco Ind C13	16	103	97%	97%	97%	-1
Dart	294	3%	3%	3%	3%	-1
Davis	19	19%	19%	19%	19%	-1
Deere & Co	120	19	20.08	21%	21%	-1
Delta	2	4%	4%	4%	4%	-1
Delta	55	65%	67%	65%	65%	-1
Delmar ACI	14	118	212%	212%	212%	-1
Demco	0.57	19	20%	20%	20%	-1
Dennison	2100	5%	5%	5%	5%	-1
Denton	120	17%	17%	17%	17%	-1
Detroit	4151	9%	9%	9%	9%	-1
Diamond	419	30%	30%	30%	30%	-1
Dynalene	230	15%	15%	15%	15%	-1
Eaton	15	20	14	14	14	-1
East Coy	26	82	85%	82%	82%	-1

EASDAQ

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Company	Mid price	Change	Volume	High	Low	Company	Mid price	Change	Volume	High	Low
Advent	US\$8.375	0	625	8.25	8.25	Spartan Investments	US\$8.75	-0.125	4076	8.25	8.375
African Systems	US\$1	-0.025	18	18	18	Techcom	US\$1.125	-0.125	4000	11.75	11.75
Chancellor	FF16	0	12	18	18	Marcus International	US\$1.125	-0.25	4000	11.75	11.75
Dr Solomon's Ltd	US\$20.5	-0.075	200	20.5	18.875	PdInc	US\$0.625	-0.125	8	6.125	5.875

Prices for 29/05/97. Please note that mid prices are now used to calculate highs and lows.

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EASDAQ offices are located in Brussels (Tel. 32-2 / 227.85.20) and in London (Tel. 44-71 / 498.9800).

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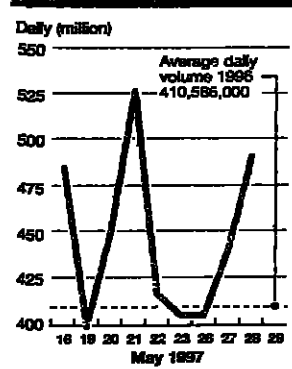
Dow slips as techs gain ground

AMERICAS

US blue-chip shares lost a little ground while technology and smaller company shares continued to hover around recent record levels, writes Jane Martinson in New York.

The Dow Jones Industrial Average fell 20.18 at 7307.05 at midsession. Traders said that after a strong rise over the past week, the blue-chip index needed a spur from further inflation information

NYSE volume



or earnings figures to gain momentum. The more broadly-based S & P 500 fell 1.39 to 945.74.

Bonds provided a little support, falling just below the important 7 per cent yield barrier.

The technology-driven Nasdaq composite index kept above the 1,400 watermark, consolidating this week's outperformance against blue chips. It was up 1.29 at 1,411.47. The Russell 2000, the index of smaller company shares, gained 0.30 to 378.09. Both indices had breached records on each trading day of this week.

Mr Michael Metz, the bearish chief investment strategist at Oppenheimer & Co, said the rally in technology

and smaller company shares suggested that the tremendous growth in blue-chip shares had started to run out of steam.

"The market is getting a little leery of concentrating on top tier stocks and is really making a speculative play on the rest," he said. He added that the market was "overdue for a rather extensive correction and my guess is that it's very close at hand".

IBM caused some of the Dow's trouble with a fall of 1% to \$88 after a strong rally in recent weeks and a stock split. Microsoft contributed to Nasdaq's gains and crossed a 52-week high with a 3% gain at \$128.

Nike hit trouble which was shared by other sports-wear retailers. The market leader lost 8% or almost 14 per cent at \$55 after warning that earnings would be significantly below forecasts. The price had been spiked up on Wednesday following rumours that the fabed investor, Warren Buffett, was about to buy a stake in the company.

Reebok fell 1% to \$39, Footstar 5% to \$22.4 and Converse 4% to \$20.5 while Woolworth, the owner of the Foot Locker, dropped 1% to \$23.4.

TORONTO moved lower in line with the dull start on Wall Street. It was not helped by book squaring ahead of Monday's federal election by a number of leading traders. At noon, the 300 composite index was 22.83 lower at 6,366.20.

Seagram added 40 cents to C\$64.25 on news of the \$1.4bn disposal of part of its stake in the US media giant, Time Warner, but most leaders lost ground. Banks stayed dull in the wake of the latest quarterly result from the sector.

Latams trade quietly

Where they were not closed for a public holiday, Latin American markets traded quietly.

MEXICO CITY edged ahead on what dealers described as modest bargain hunting. Telmex added 8 centavos to 17.26 pesos and Cemex gained 5 centavos to 28.55 pesos. At midsession,

the IPC index was 5.03 higher at 3,811.28.

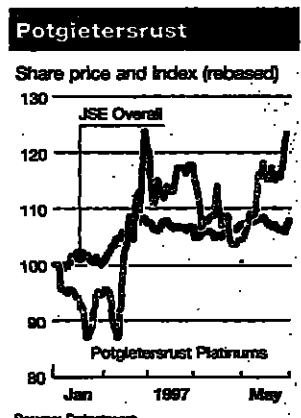
CARACAS turned in one of the morning's brighter performances although volume was light. "There is not much action. It has a long weekend feel to it," said one broker. At midsession, the IBC index was up 34.48 or 0.5 per cent at 6,880.34.

S Africa bounces back

Talk of interest rate cuts following weak GDP figures led to a bounce for Johannesburg, which reversed five days on the downside to end with the all share index up 33.9 at 7,074.7.

GDP slippage of 0.8 per cent in the first quarter on a seasonally-adjusted basis sparked the rate cut hopes, since analysts had been expecting growth of 2.5 per cent. "Easier money now looks on the cards," said one broker.

Another day of heavy buying of platinum shares also underpinned sentiment. Industrials rose 26 to 8,317.8 and the gold index put on 2.8 to 1,181.3. Rustenburg gained R4.25 to R74.50 and Potgietersrust, up R1.20 on



Wednesday, added a further 50 cents to R28.40. Among industrials, Barlows rose R1.25 to R47.25.

EUROPE

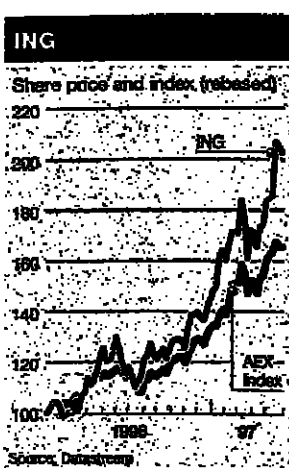
French shares traded nervously ahead of Sunday's crucial final round of voting in the general election. But PARIS managed to hold on until early afternoon before giving up initial gains and closing with the CAC 40 down 3.93 at 2,579.24.

Dealers said that the flat tone was a reaction partly to Wednesday's heavy selling and partly to an outbreak of election pragmatism. "If the socialists get in with a working majority that will at least be better than a socialist-communist coalition," said one broker, summing up the mood.

Motors continued to go south. Renault fell FFr3.40 to FFr129.70 for a three-day decline of more than 10 per cent and Michelin shed FFr4.70 to FFr316.30. Hit hard by political uncertainty over the past few days, Societe Generale rallied FFr17 or 2.8 per cent to FFr630.

GAN gained FFr5 to FFr130 after AGF said it remained interested in acquiring the company's life insurance business. Euro-tunnel hardened 5 centimes to FFr6.45 on group forecasts of a dividend by 2006.

Sommer-Alibert crashed



FFr20.70 or 9.9 per cent to FFr189.50 after the company's plans for a floor-covering merger with Tarkett of Germany resulted in broker downgrades.

AMSTERDAM pushed the AEX index down 0.33 to 804.62 for a three-day decline of 1 per cent. ING was the main feature, sliding steeply after top-of-the-range first-quarter results. There was some initial confusion at the sight of unexpected provisions, but the main culprit looked to be straightforward profit-taking.

Up 22 per cent in five weeks ahead of the event, the shares closed off FFr1.30 or 1.5 per cent at FFr68.90

heavy volume with 4.2m traded. Fortis Amey came down in sympathy, losing FFr1.80 to FFr60.20.

Among smaller caps, Gucci also looked to be the victim of profit-taking, tumbling FFr4.10 to FFr135.80 in the face of strong first quarter sales news.

MADRID continued to react to French and German political concerns, falling 1.5 per cent after a 2.2 per cent drop on Wednesday. The general index closed 8.72 lower at 556.14, as turnover slumped from Pta150.6bn to Pta55.45bn.

Telefonica, one of the biggest winners in the recent Bourse upturn, fell Pta140 or 3.2 per cent to Pta4,280 while Iberdrola led utilities lower with a fall of Pta76 or 4 per cent at Pta1,785.

ZURICH was dominated by professionals, with little client demand as the SMI index eased 1.0 to 5,132.1.

Dealers said hopes that interest rates would remain low for a longer period and ongoing speculation that the Swiss National Bank might cut the discount rate spurred financials. However,

FTSE Actuaries Share Indices

May 29	Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Actuaries 100	2347.17	2345.85	2346.00	2344.81	2343.13	2342.05	2342.35	2342.35	2342.35
FTSE Actuaries 200	2388.10	2386.58	2386.92	2384.26	2383.57	2382.85	2380.68	2381.16	2381.16

there were contrasts in insurers: Winterthur rose Sfr7 to Sfr1.167 after it said it expected a double-digit profit increase in 1997, but Swiss Re saw profit taking and fell Sfr1.1 to Sfr1.935.

In industrials, Ciba Specialty Chemicals fell Sfr3.50 to Sfr140.50 after UBS raised its earnings estimates for the company, but called the shares a hold after recent share price fireworks. Saurer, the textiles machinery group, rose Sfr19 to Sfr389 after first tertial figures for 1997.

MILAN moved marginally lower with the Mibtel index off 4 at 12,238. Olivetti dipped L5.10 to L496 after the company denied plans to sell a further stake in its Omnitel unit. Fiat flat at L19 at L5,620 following a forecast from Mr Cesare Romiti, the group's chairman, that net profits for 1997 would fall plus a move from "neutral"

improved, first tertial. FRANKFURT took its Corpus Christi holiday but the screen-based, Dax market continued to operate and the Dax index recovered 8.78 to 3,655.38.

However, it was not all sweetness and light trading: the sports-wear groups, Adidas and Puma, reflected the disappointment with the Nike quarterly figures in the US, falling DM6.25 or 3.75 per cent to DM56 respectively.

Sentiment soured in the eastern Mediterranean. In ATHENS, the general index fell 32.94 or 1.9 per cent to 1,682.85 after a high of 1,739.39, turnover rising to Dr29.5bn, as interbank rates rose in reaction to a softer drachma.

Dealers said that rates could rise further if forex outflows continued.

ISTANBUL, meanwhile, dived 2.3 per cent after an intraday drop of 4.1 per cent on reports that early elections were being discussed at the executive board meeting of the junior coalition partner, the True Path Party. The IMKB National-100 index closed 36 lower at 1,539.

Written and edited by William Cochrane and Jeffrey Brown

Election relief sparks 2.5% gain for Jakarta

ASIA PACIFIC

Election relief plus a surge for index heavyweight Telkom sent JAKARTA shooting ahead, lifting the composite index by 17.00 or 2.5 per cent to 689.50 in heavy volume.

Telkom, with an index weighting of about 16 per cent, jumped Rp150 or nearly 4 per cent to Rp4,050 on talk that Singapore Telecom had taken a stake and that Telkom itself planned a share placing. The day's total turnover was Rp749bn, up from Rp424bn on Wednesday.

Brokers hailed the election as a success with polling booths closing in early afternoon and disturbances limited to the troubled territory of East Timor.

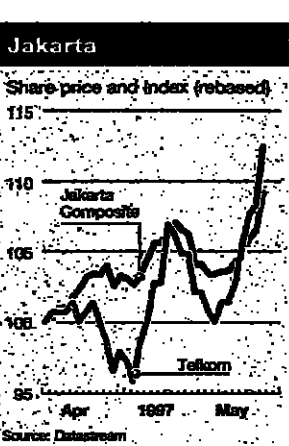
SINGAPORE ended flat with the Straits Times index up 2.81 at 2,967.17 but a number of Indonesian-linked stocks were active. L&M Group jumped 15 cents or 11 per cent to S\$1.52 and United Pulp & Paper gained 17 cents or 14 per cent to S\$1.35.

TOKYO took profits and then stabilised: a sharp morning plunge in the dollar against the yen failed to encourage investors to sell blue-chip exporters, but in the afternoon the dollar's recovery to Y116 helped many stocks recoup losses, writes Gwen Robinson.

The Nikkei 225 average slipped 39.11 to 20,312.23 after moving between 20,125.11 and 20,366.84. At the close, some manufacturers were still suffering from news that Japan's industrial production in April declined by 0.4 per cent from the previous month.

Brokers fell on reports that prosecutors might arrest Mr Hideo Sakamaki, the former president of Nomura Securities, in the widening scandal over Nomura's illegal trading activities.

Volume edged down from 374m shares to an estimated 364m. Declines led advances by 605 to 454, with 168



unchanged. The Topix index of all first-section stocks rose 0.09 to 1,503.34 and the capital-weighted Nikkei 300 shed 0.14 to 290.82.

Bandai and Sega retreated in the wake of Tuesday's announcement that the companies will scrap their planned merger, in spite of Sega's strong earnings report on Wednesday. Bandai, which posted poor results on Wednesday, fell Y100 to Y2,570 and Sega slid Y90 to Y3,690.

Losses among blue-chip exporters demonstrated the market's anxiety about further exchange-rate turbulence. Sony fell Y60 to Y9,840, Toyota Y70 to Y3,450 and Honda Y50 to Y3,540.

However, semiconductor-related issues continued to benefit from strong earnings outlooks. Advantest jumped Y770 to Y8,000 and Tokyo Electron Y490 to Y5,710. TDK added Y260 to Y9,050.

Brokers fell 1.6 per cent as a group on renewed concerns about the widening scandal around Nomura. Nomura fell Y50 to Y1,440, Yamaichi Y6 to Y3,141 and Nikko Y7 to Y698.

Shinko Electric, the prepaid card maker which fell on profit-taking on Wednesday following big gains on reports that NTT would use the card in a new pay-phone system, rose Y31 to Y764 as the day's most active issue. Banks rose on short cover-

ing by foreign investors. Sumitomo Bank added Y20 to Y1,650 and Sanwa Bank Y60 to Y1,520.

In Osaka, the OSE average added 124.39 to 21,073.14 and volume rose to 17.2m shares. In London, the ISE/Nikkei 50 index rose 4.28 to 1,588.19.

SYDNEY scraped to another record high, mostly by courtesy of BHP which rose 21 cents to A\$18.60, influenced by action in May call options at A\$18.50 and by some switching from the rival miner, CRA, which fell 30 cents to A\$21.50.

The All Ordinaries index rose 5.40 to 2,590.60 in turnover of A\$942.76m. Coles Mayer, Australia's largest retailer, fell 23 cents to A\$6.07 in high volume of 6.1m shares after its annual

analysts' meeting on Wednesday generated strong selling.

MANILA rose 1.3 per cent on blue-chip buying ahead of the release of first-quarter GNP figures later in the day. The composite index closed 36.94 higher at 2,768.61.

A cut in the Philippine Central Bank's overnight rate impacted on longer-term fixed interest securities. First-quarter GNP growth came out at 6.1 per cent against a revised 6.9 per cent a year earlier.

HONG KONG moved lower as traders focused almost exclusively on the first day of trading in red chip newcomers, Beijing Enterprises. The Hang Seng index ended off 139.91 or 1 per cent at 14,416.57. Beijing Enter-

prises, which set a record when it was 1,276 times subscribed, ended at HK\$40.20, against a flotation price of HK\$12.48.

TAIPEI succumbed to late profit-taking in electronics to close off 60.81 at 7,997.65 on the weighted index after racking up a gain of nearly 70 points at one stage during the session. Turnover was said to be moderate at T\$110.2bn.

The electronics sector, buoyed lately by high-tech gains on Wall Street, rose 3.3 per cent in early trading but finished just 0.3 per cent ahead.

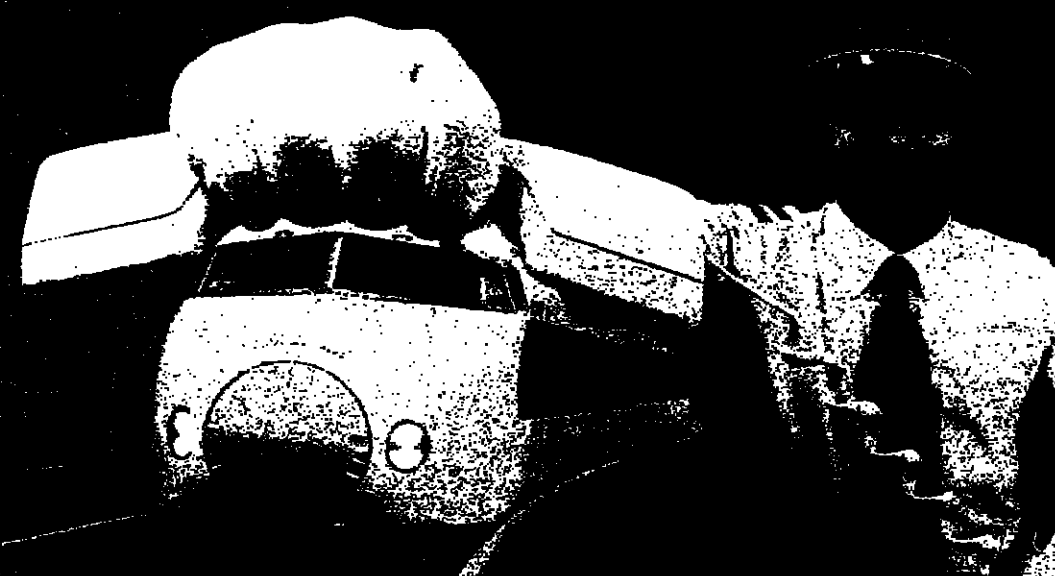
BANGKOK closed lower ahead of today's resumption of trading in Finance One, the troubled finance group. Brokers said the dealings

restart was widely expected to drag the market lower at the outset today. The SET index ended down 4.66 or 0.8 per cent at 558.17 on modest turnover of Bt2.6bn.

BOMBAY rallied with the BSE 30 index 38.0 higher at 3,723.31 as strong bidding by foreign funds reversed initial weakness. Action focused on the market leader, Reliance Industries, which rose Rs13.25 or 4.7 per cent to Rs296.25 in 7.04m shares.

Disappointing company results caused the weak start. Colgate-Palmolive (India) ended Rs2.75 down at Rs79.50 on little change to net profits. However, the engineering company, Larsen & Toubro rose Rs2.50 to Rs206.25 ahead of results due later in the day.

Siebe is on track for continued growth.



Preliminary results for the year ended April 5 1997	1997	1996	Change
Turnover (£m)	2,005.3	2,599.1	up 29.4%
Pre-tax Profit (£m)	474.1	331.1	up 43.2%
Earnings per Share (pence)	54.1	45.0	up 20.2%
Dividend per Share (pence)	14.70	13.31	up 10.4%

"Our high hopes for 1996/97 have been fully confirmed by these results. During the year we have strengthened our competitive position in all key markets and we are now even better placed from strategic and operating points of view. The second half of the year just ended witnessed accelerating organic sales growth coupled with increased profits and margins. Order backlog at the year end stood at £883.3 million which is 23.4% up on 1996 and this has given Siebe a very good start for the new year. Although currencies remain a concern, the Group is able to manage the situation by flexing production volumes between countries. We do not see any signs of a recession in our main markets - indeed North America, the Far East and Middle Eastern markets remain strong and we continue to see some signs of growth in Continental Europe. The Board is therefore very confident of continuing the underlying growth in Siebe's business operations."

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Siebe plc, Seven Horse, 2-4 Victoria Street, Wexham, Berkshire SL4 1EN, England. Tel: 01753 855111.

FT/S&P ACTUARIES WORLD INDICES

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Regional Markets													DOLLAR INDEX	
Figure in parentheses shows number of lines	US Dollar Index	Day's Change	Pound Sterling	Yen Index	DM Index	Local Currency	% Chg. Index	Gross Div. Divd.	US Dollar Index	Pound Sterling	DM Index	Local Currency	Year ago (approx)	
Australia (76)	291.88	0.0	200.85	198.22	204.56	205.18	-0.1	1.37	231.67	211.14	170.91	205.08	201.21	
Austria (64)	198.05	-0.1	180.14	145.26	176.55	174.04	-0.4	1.57	195.25	181.38	148.68	178.25	178.20	
Belgium (25)	251.01	-0.7	227.15	183.17	221.43	216.82	-0.9	1.30	232.78	230.07	186.32	223.58	218.87	
Brazil (30)	267.81	1.6	242.36	195.43	238.24	228.84	-1.8	1.35	259.70	240.00	184.33	233.92	226.72	
Canada (113)	205.29	-1.1	185.78	149.81	161.09	205.44	-0.5	1.30	232.78	230.07	186.32	223.58	218.87	
Denmark (32)	284.24	-0.3	247.73	280.40	338.96	337.83	-0.5	1.50	285.17	330.56	283.03	340.65	283.03	
Finland (28)	273.08	-0.9	247.19	192.28	240.00	235.50	-1.0	1.55	275.61	250.85	213.51	243.76	236.84	
France (81)	216.35	-3.2	194.89	157.15	189.97	193.76	-3.3	2.92	222.59	202.99	154.06	198.06	200.37	
Germany (60)	214.73	-0.8	194.33	156.70	189.43	189.43	-0.9	2.95	216.51	191.54	151.84	212.54	186.19	
Hong Kong (88)	514.47	-0.2	485.97	376.43	453.59	511.45	-0.1	2.95	512.28	468.79	345.10	511.70	167.87	
Indonesia (27)	292.80	0.0	210.50	169.74	205.19	348.45	0.9	1.64	233.63	209.88	188.98	203.97	345.26	
Ireland (16)	248.18	0.3	215.09	254.08	307.14	324.24	0.1	3.01	347.19	316.00	258.91	307.07	276.31	
Italy (59)	289.94	-1.0	80.49	64.90	78.48	111.73	-0.8	1.25	85.95	81.77	66.22	79.45	82.35	
Japan (489)	139.34	2.3	120.87	87.81	117.03	97.81	1.3	1.00	130.21	118.49	86.42	98.05	97.81	
Malaysia (107)	532.48	1.1	481.28	388.58	489.71	514.39	0.3	1.32	528.61	479.48	388.30	495.63	510.01	
Mexico (27)	1405.17	-1.1	1271.85	1025.41	1239.58	1215.87	-1.3	1.24	1420.35	1292.74	1000.00	1258.20	1330.86	
Netherlands (18)	378.01	0.3	342.08	275.85	333.46	328.43	0.1	2.38	372.10	343.18	274.91	329.32	276.35	
New Zealand (14)	88.41	0.7	80.92	65.25	78.87	68.79	0.7	1.00	85.78	78.49	65.78	68.65	68.79	
Norway (41)	315.26	0.5	293.30	230.06	278.11	302.58	0.3	2.04	313.71	265.32	231.23	277.45	265.32	
Philippines (22)	167.67	1.7	151.74	122.38	147.81	220.37	1.7	0.85	164.90	150.08	121.54	145.64	216.74	
Singapore (42)	383.15	0.4	353.78	286.90	348.81	293.03	0.3	1.16	391.14	356.45	286.97	343.38	293.03	
South Africa (44)	351.85	-0.6	318.50	258.83	310.47	344.08	-0.6	2.49	333.96	322.16	259.60	313.03	344.08	
Spain (35)	258.50	-2.3	232.12	187.18	228.27	278.18	-1.8	1.60	258.50	229.19	187.18	228.27	278.18	
Sweden (49)	458.31	-0.9	412.95	332.89	402.53	519.22	-0.5	1.99	460.57	419.28	332.89	402.53	519.22	
Switzerland (39)	283.27	-0.3	282.76	244.01	258.71	267.28	-0.3	1.30	285.88	269.18	218.07	267.28	267.28	
Thailand (43)	81.88	-1.9	50.01	45.16	54.60	61.56	-1.9	0.34	83.09	57.19	44.14	55.77	61.56	
United Kingdom (211)	302.30	0.6	273.57	220.80	268.67	273.57	-0.1	3.64	300.81	273.79	221.72	266.05	273.57	
World Excl. Japan (1987)	340.77	-0.3	278.14	221.87	268.20	293.16	-0.3	1.78	343.87	312.67	233.48	304.13	293.16	
USA (251)	942.08	-0.3	910.38	250.26	302.56	342.98	-0.3	1.78	914.74	865.85	251.88	278.37	342.98	
Americas (251)	313.87	-0.3	284.04	229.04	276.87	284.32	-0.3	1.78	314.74	286.93	233.69	278.37	284.32	
Europe (725)	282.16	-0.6	237.25	191.31	231.27	241.09	-0.6	1.63	283.28	250.51	192.28	231.27	241.09	
Nordic (150)	393.89	-0.7	356.45	287.44	347.46	386.55	-0.5	1.86	396.54	350.91	292.29	350.71	386.55	
Pacific Basin (882)	181.68	1.8	137.24	110.97	133.78	111.44	1.0	1.28	184.97	138.59	109.21	131.76	111.44	
Europe-Pacific (1607)	187.77	-0.5	178.97	144.32	174.48	180.40	-0.5	2.00	196.81	171.13	145.06	174.47	180.40	
North America (784)	234.56	-0.3	202.76	164.14	235.13	282.89	-0.3	1.70	235.35	205.40	164.22	236.77	282.89	
Europe Excl. UK (514)	234.85	-1.2	212.53	171.38	207.17	218.25	-1.2	2.00	235.35	205.40	164.22	236.77	218.25	
Pacific Excl. Japan (297)	309.86	0.2	280.24	225.97	273.17	270.86	0.2	2.75	309.07	281.30	225.97	273.26	270.86	
World Excl. US (1821)	201.04	0.4	181.84	146.71	177.25	166.68	0.0	2.01	204.20	182.25	147.17	170.10	166.68	
World Excl. UK (2261)	204.77	0.1	217.89	175.70	212.29	211.59	-0.1	2.12	204.64	216.02	177.17	212.83	211.59	
World Excl. Japan (1987)	340.77	-0.3	278.14	221.87	268.20	293.16	-0.4	1.73	305.08	274.68	224.87	268.83	293.16	